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WEST EUROPE REPORT

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CONTENTS

ECONOMIC

CYPRUS

- Island's Ties With Mideast Seen Becoming Closer
(CYPRUS MAIL, 18 Jun 82)..... 1

DENMARK

- Cost of Living Increases Seen Causing New Round of
Inflation
(Frank Dahlgaard; BERLINGSKE TIDENDE, 19 Jun 82)..... 5
- Industry Worried That Wage Increases Hurt Competitiveness
(Ole Schmidt Pedersen; BERLINGSKE TIDENDE, 19 Jun 82)..... 7
- Industry Organization: Jobs Program Will Be Ineffective
(Frank Dahlgaard; BERLINGSKE TIDENDE, 19 Jun 82)..... 8

GREECE

- Rate of Inflation in Greece Compared to EC Countries
(BUSINESS & FINANCE, 12 Jun 82)..... 10
- Strikes, Ongoing Labor Unrest Deplored
(George Ventry-Canning; BUSINESS & FINANCE, 12 Jun 82).... 12
- Government's Economic Policy Criticized
(BUSINESS & FINANCE, 12 Jun 82)..... 16
- Shipping Industry Takes Stand Against Pollution
(BUSINESS & FINANCE, 12 Jun 82)..... 19

PORTUGAL

| | |
|--|----|
| Balance of Payments Worsening (Daniel Amaral; O JORNAL, 10 Jun 82)..... | 22 |
|--|----|

TURKEY

| | |
|--|----|
| Turkey as Financial Focal Point Examined (CUMHURIYET, 14 May 82, DUNYA, 25 May 82)..... | 27 |
| Turkey as Financial Center, Husnu Dogan Interview Turkey as Middle East Finance Center | |
| Market Value, Fate of Lira Examined (DUNYA, 20 May 82)..... | 31 |
| Tenor of Islamic Development Bank Relations Given (CUMHURIYET, 23 May 82)..... | 33 |

POLITICAL

CYPRUS

| | |
|--|----|
| Local Press Views Current Issues (CYPRUS MAIL, various dates)..... | 35 |
| Plight of Palestinians Tragedy of Lebanon Soviet Attitude Deplored President's Trips Criticized | |

FEDERAL REPUBLIC OF GERMANY

| | |
|--|----|
| Hamburg Election Loss Raises Discord in SPD/FDP Coalition (DER SPIEGEL, 14 Jun 82)..... | 41 |
|--|----|

FRANCE

| | |
|---|----|
| PSF-PCF Ties Examined on Falklands, Eurocommunism, Dis- armament (Jean-Marie Colombani; LE MONDE, 27 May 82)..... | 49 |
| Jospin, Marchais on Law & Order, Economic and Foreign Policy (Lionel Jospin, Georges Marchais Interview; REVOLUTION, 7 May 82)..... | 52 |

SPAIN

- PSOE Strategists See Coupist Dangers in UCD, PCE Debacles
(Miguel Angel Aguilar; EL PAIS, 21 Jun 82)..... 60
- Socialist Victories Viewed as Step Toward Revolution
(Ismael Medina; EL ALCAZAR, 29 May 82)..... 63
- Democratic Structures Seen as Aiding Terrorism, Revolution
(Ismael Medina; EL ALCAZAR, 10 Jun 82)..... 67

TURKEY

- Special Legal Status Proposed for Istanbul
(CUMHURIYET, 29 May 82)..... 71

MILITARY

DENMARK

- Defense Minister: Striking Power Remains Despite Budget
Cuts
(Dan Axel; BERLINGSKE TIDENDE, 21 Jun 82)..... 73

ISLAND'S TIES WITH MIDEAST SEEN BECOMING CLOSER

Nicosia CYPRUS MAIL in English 18 Jun 82 p 2

[Text] The Israeli invasion of Lebanon has yet again demonstrated that the Middle East is still the most dangerous region in the world, and one never knows in what form and from what direction trouble will come. Yet it is certain that trouble in some form or other is just around the corner.

Cyprus is in the strange position of being physically part of the Middle East, but psychologically apart from the region, since traditionally Cyprus looks towards, and feels as if, it is a piece of Europe located a little further East than the rest of the continent. Since 1974 this has begun to change and Cyprus has drawn closer to the region.

First the Lebanese civil war of 1975, brought Cyprus massively into contact with the Middle East.

Thousands of Lebanese took shelter here, and the contacts they brought and their business losses enabled Cyprus to partially take the place of Lebanon in Middle East trade.

About the same time, the rapid revival of Cyprus' own industrial base, led to a dramatic increase in Cyprus' exports to Arab countries, so that today the Arab states are Cyprus' most important export markets for manufactured goods.

Lost Chance

In 1975 Cyprus lost the chance provided by the Lebanese civil war, of developing as a major business centre for Middle East trade.

Chances were lost because the development of policy with respect to the attraction of off-shore companies was slow, and throughout there has been little coordination of policy.

Nevertheless, by 1979 and 1980 Cyprus had established itself as a modest (though secondary) business centre for the Middle East, with more than 1,000 Off-shore such as Athens, Amman and Cairo generally did better out of the Lebanese civil war, and a large number of foreign companies set up there.

After the civil war, and despite the continued uncertainty in Lebanon, Beirut made an impressive recovery and was able to re-establish itself as the primary commercial centre of the region, even though it never attained its past glory.

Most foreign observers have commented that the slow response to the situation by the Cyprus authorities caused Cyprus to miss its chance of becoming one of the major commercial centre in the region.

This assessment is probably correct, for though last year concessions were made to offshore companies and their employees with respect to the provision of duty free goods, it is amazing that the government has still not issued an explanatory booklet explaining the procedures, criteria, and other factors that off-shore companies should consider in order to set up operations in Cyprus.

The new booklet on tax incentives is totally inadequate in that respect.

Though permission has been given for the operation of the first off-shore bank in Cyprus, the criteria and conditions of operation have not yet been spelt out.

Problems

This would not be disconcerting if it were not for the fact that some entrepreneurs who have set up off-shore companies in Cyprus have expressed disappointment with respect to the administrative and other procedures adopted by certain government Departments.

Essentially the major problem seems to be one of coordination between the various departments involved.

The Central Bank is, or rather should be the key, because it is essential to obtain as a first step a license to operate from the Bank.

Other procedures involve registration with the Registrar of Companies, clarification of tax matters with the Inland Revenue, and the attainment of work permits from the Ministry of Interior.

The whole process takes a fair bit of running around, and is not a once only process.

One "entrepreneur" who seemed rather tired after going through the various procedures has stated that "If they (the government) do not want off-shore companies, they should not advertise for them to set up here."

We believe that such statements exaggerate the situation, and are not typical, for most of the off-shore companies based here appear to be quite happy, and the pluses generally outnumber the minuses.

Such statements should, however, cause a serious reappraisal of the situation, for it is clear that in some cases the procedures tend to be frustrating, especially when government officials have difficulty in interpreting the law.

Second Chance

The point we wish to make is that the present troubles in Lebanon now present Cyprus with a second chance to establish itself as a major business centre in the Middle East.

But in saying this we do not wish to appear as ventures, flying down to take apart what is left of Beirut business life.

Instead, we simply want to state a reality, that the Israeli invasion of Lebanon, and subsequent "solutions" (if any) to the Lebanese problem, are likely to limit the future role of Beirut in Middle East business.

Consequently, Cyprus should make a concerted effort to establish itself as a major business centre.

In doing this we believe that the government should consider the possibility of giving special concessions (if both necessary and desirable) to Lebanese firms in order to encourage them to set up businesses in Cyprus.

We firmly believe that this second chance should not be lost, and we would like to put forward the following suggestions for government action:

(1) There should be a comprehensive and thorough developing Cyprus as a business centre, and especially the encouragement of off-shore companies to Cyprus. We consider it essential that all problems should be identified, and that there should be a careful analysis of all off-shore companies who have subsequently left Cyprus after a period of operating here.

(2) A committee should be set up in which all Ministries (and the Central Bank) involved with off-shore companies should be represented, which should decide on whether applications are accepted or not, and the terms of acceptance. Once this is done, all other aspects such as work permits, residence permits etc should be automatically dealt with. No application would take more than one to three months to process, and a special process of investigation of companies should be established.

(3) This committee could also act as the policy and advisory committee of the government on off-shore companies, and issues relating to the development of Cyprus as a business centre.

(4) One body in the Government should act as liaison between the applicants or established off-shore companies on the one side, and the government on the other. It would seem to us that one of the economic ministries or bodies would be most suitable, that is the Central Bank, Ministry of Commerce and Industry, Planning Bureau or Ministry of Finance. The function of this liaison set up would be to promote Cyprus as a suitable location for off-shore companies, reply to inquiries, and follow up inquiries as well as generally trying to help and assist off-shore companies to set up in Cyprus or to prepare feasibility studies or other reports.

(5) A comprehensive official booklet setting out official policy on all the issues involved including tax regulations, procedures for setting up in Cyprus, work and residence permits etc.

(6) A general promotion campaign for Cyprus as a business centre should be set up, which will include publicity (though here remarkable interest has already been shown by the international press), advertising, and the holding of seminars and conferences in foreign countries.

(7) All vague or problematic aspects of policy, law, regulations and procedures should be identified, and where necessary amendments should be proposed to the Government.

It is our belief that if the government were to re-evaluate policy with respect to developing Cyprus as a business centre, on the lines we have suggested above, then Cyprus will not miss its second chance and the positive effects on our economy will be substantial.

CSO: 4600/605

COST OF LIVING INCREASES SEEN CAUSING NEW ROUND OF INFLATION

Copenhagen BERLINGSKE TIDENDE in Danish 19 Jun 82 p 7

[Article by Frank Dahlgaard]

[Text] The monthly price setting for May, published yesterday, causes deep concern among economists and industry people. The price index jumped surprisingly high, and if nothing is done to stop it, there will certainly be two cost-of-living increases with the July price figure, and perhaps three more with the January 1983 price figure.

Five new cost-of-living increases in the course of the next 9 months would mean an automatic increase of 7 percent in wage costs--an increase that will by no means be covered by increased productivity. The result will therefore be more inflation and unemployment.

Danish Statistics has computed the monthly price figure for May at 125.1--an increase of 2.9 points over the April figure. Of this increase, 1.6 points can be accounted for by the semiannual regulation of rents, while the remaining 0.5 points are due to the regulation of leisure-time and vacation expenditures, etc. These semiannual adjustments are unusually large this time, and Danish Statistics cannot give any special explanation for it.

Unless prices actually decrease in June and July, two cost-of-living increases will be brought about by the July adjustment price number. Each of these increases will be 90 øre more per hour, or 156 kroner more per month. The increases are paid out starting 1 September in the private job market and starting 1 October for public employees.

Each cost-of-living increase means pumping out 3.7 extra billion kroner in purchasing power a year, but about half of that disappears into the state coffers as taxes.

If the present high rate of price increases continues in Denmark, the adjustment price number for January 1983 will just exceed index 133.0, at which point the third spring increase is triggered. It is considered certain that there will be two cost-of-living increases in January 1983 in addition to the two in the fall. But there may well be a question of three spring increases.

If there is real danger that three cost-of-living increases will be triggered in January, that is in part due to the skyrocketing dollar exchange rate, which together with the last couple of krone devaluations means a wave of new price rises in the form of increased costs of imported commodities, including more expensive gasoline and oil.

Thus far the government has categorically refused to intervene in the income curve before the spring of 1983, and Erik Hoffmeyer, director of the national bank, has openly said that this can be accepted.

This means in the worst case that five unpaid-for cost-of-living increases will be unloosed on the Danish economy before the politicians intervene.

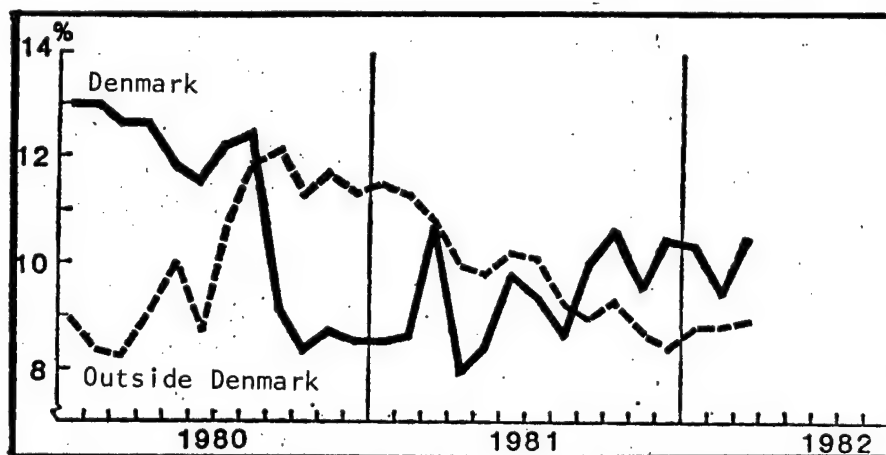
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INDUSTRY WORRIED THAT WAGE INCREASES HURT COMPETITIVENESS

Copenhagen BERLINGSKE TIDENDE in Danish 19 Jun 82 p 7

[Article by Ole Schmidt Pedersen]



The latest figures show that the Danish wage curve (solid line) is on the way up and away from the wage level outside Denmark (broken line). By way of comparison, the wage level abroad as of 1 January 1981 was 3 percent higher than in Denmark.

For the last 9 months Denmark's competitiveness has grown worse day by day. This is causing deep concern in the Industry Council, especially in view of the unexpectedly high monthly price index.

Jørgen Hansen, deputy director of the Industry Council, will not comment on the prospects of having five new cost-of-living increases during the next 9 months, but he does call attention to the fact that since September 1981 the Danish wage level has been between 1 and 2 percent above the wage curve abroad.

"Every month the Industry Council does analyses of wage developments in Denmark and abroad. From the fall of 1980 to August-September 1981 we were below the rises abroad. But now, unfortunately, the curves have intersected, and that means that we are experiencing a definite trend that worsens our competitiveness. That worries us," says Jørgen Hansen.

INDUSTRY ORGANIZATION: JOBS PROGRAM WILL BE INEFFECTIVE

Copenhagen BERLINGSKE TIDENDE in Danish 19 Jun 82 Sect III p 2

[Article by Frank Dahlgaard]

[Text] Unemployment remains at a record high and the foreign debt is growing.

In spite of the government's declarations of intention to slow down the growth of the public sector, the state's and the municipalities' consumption continues to increase at an undiminished rate. The number of public employees will increase by 35,000 this year and another 30,000 next year.

That appears from the Industry Council's new semiannual forecast of development in the Danish economy. The forecast paints a very dark picture of the prospects up to the end of 1983--a picture that is definitely darker than the government's latest forecast in the budget statement.

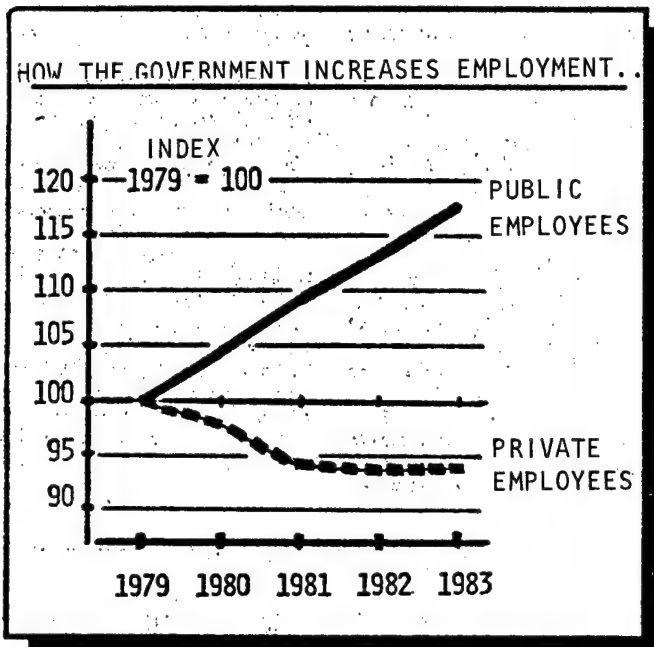
Unemployment will grow from 243,000 last year to 255,000 this year, and in 1983 the unemployment figure is expected to be about 240,000. At the same time the balance of payments is definitely growing worse: from a 1981 deficit of 13 billion kroner the deficit will grow to 16 billion this year and to 17 billion kroner next year. This means that by the end of 1983 we will have a foreign debt of over 150 billion kroner, corresponding to 30 percent of that year's national product.

Industrial Exports

While the government is counting on an economic growth of 3.6 percent this year in its May budget statement, industry economists only expect a growth of 1.5 percent, or less than half. The Industry Council's forecast counted in the effects of the June compromise in the Folketing.

While the government in its latest appraisal expects a growth in investments in industry of 12 percent this year, the Industry Council expects a growth of only 2 percent. And while the government predicted an increase in total exports abroad of 5 percent this year, industry economists only believe in a growth of 2 percent.

Industrial exports are expected to grow by 2 percent this year and 6 percent next year.



In the 4-year period 1979-1983 the number of public employees can be expected to increase by a good 130,000 persons. At the same time the employment in the private economy will have dropped by 100,000. Source: The Industry Council's new semi-annual forecast.

persons, while employment in the private economy falls by 6 percent, corresponding to a good 100,000 persons.

Industry's investments are expected to drop by 5 percent this year after a drop of 15 percent last year. From 1982 to 1983 industry's investments are expected to increase by 6 percent.

Housing construction is expected to remain at the same low level this year as in 1981, but next year a growth of 10 percent from the very low starting-point is counted on.

The state's deficit (net cash deficit) is estimated to be about 57 billion kroner this year and 70 billion kroner in 1983. This means issuance of still more government bonds, and this will raise interest rates, the Industry Council fears.

It is assumed by the industry economists that Danish ability to compete will remain unchanged, and that the economic growth in the Western World will be 0.5 percent this year and 2.5 percent next year. The oil price measured in dollars is assumed to remain unchanged this year and after that to grow at the same rate as other prices.

Zero New Jobs

The industry council does not expect that the "job-creating measures" decided upon by the government will cause any increase in total employment worth mentioning. On the other hand it will to a certain extent shift jobs from the private to the public sector.

As the illustration shows, this process has been in full swing for several years; from 1979 to 1983 the industry economists estimate that the number of public employees will have increased by between 17 and 18 percent, corresponding to a good 130,000

RATE OF INFLATION IN GREECE COMPARED TO EC COUNTRIES

Athens BUSINESS & FINANCE in English No 198, 12 Jun 82 p 15

[Text] Consumer prices in the European Community (EC) showed their highest monthly rise in a year during April--with Greece having by far the highest monthly inflation rate, the EC statistics office said last week.

The consumer price index for the 10 EC countries rose 1.2% between March and April, compared with 0.8% the previous month and 1.6% in April 1981. However, the annual inflation rate continued to slow down on a year-to-year basis, dipping from 11.6% in March to 11.2% in April, the lowest increase since August 1979, the statistics office said.

Within the EC, the monthly inflation rate also was high in Britain, and was lowest in West Germany. Below is the breakdown of annual percentage inflation rates for April, with comparative figures for March in brackets:

| | |
|--------------|-------------------|
| Belgium | 8.7 (7.1) |
| Britain | 9.4 (10.3) |
| Denmark | 10.0 (10.6) |
| France | 13.8 (14.1) |
| Greece | 21.8 (20.6) |
| Ireland | 18.9 (not avail.) |
| Italy | 16.0 (16.4) |
| Luxemburg | (omitted) (8.4) |
| Netherlands | 6.5 (7.1) |
| West Germany | 5.0 (5.2) |

The given inflation rates were still ahead of the Common Market's main industrial competitors, the statistics office said. Annual inflation in the United States in April was 6.1%, and in Japan it was 3%. (Although the monthly inflation rate for Luxembourg was accidentally omitted in the report, it was cited as being among the lowest, along with The Netherlands, West Germany and Denmark.)

'Free Competition'

The Union of Greek Shipowners last week called on the European Parliament Transport Committee to help block any attempt to reverse the free movement

of capital and labor which have been the main characteristics associated with the free market of shipping during the last 150 years.

Members of the Transport Committee on a four-day visit to Greece were told by UGS officials that it was only through increased economic and trade growth that shipping could emerge from the current economic crisis.

Citing their fundamental belief in the freedom of the seas and of trade on them, the shipowners pointed out that this principle of free and fair competition had ensured that the individual and the industrial consumer in all countries and not just in the developed world, had received the necessary raw materials at the lowest possible transportation cost.

"A change in this system either by means of cargo reservation or by an attempt to parcel out the market in the free bulk trades as has already been done in the cartellized liner trades or by reducing the free flow of capital or labor would be, in our view, a serious disservice to the world economy, to all the countries of the EC and to the developing world itself," they stressed.

The Greek delegation presented to the committee the views of UGS on the draft ruling on the Rules of Competition for Marine Transport. It stressed the Greek commitment to the principle of free trade, particularly in the bulk sector, which covers a large percentage of the Greek-owned fleet. It also called for the legal basis of the ruling to be changed from Article 87 of the EC Treaty to Article 84, Paragraph 2, which deals with the common shipping policy within the community, and calls for unanimity on the adoption of rules.

In stressing the size and nature of the Greek fleet, the UGS said it believed that the rules of competition should be restricted to the regulation of regular line conferences only, and not extended to this bulk trades. As far as the conferences were concerned, the union said that the rules should not create obstacles to the entry of new companies to the conferences.

Commenting on the recent UNCTAD talks in Geneva at an intergovernmental preparatory group level concerning the phasing out of flags of convenience, the union said that while prepared to meet any request for reasonable improvement in the present system, Greece and her nine EC partners could not agree to any measure that would make it more difficult for the shipping industry as a whole to fulfil its primary duty of transporting bulk goods at the lowest possible cost with due regard for safety and other factors.

"It is surely not necessary or advisable in order to put right what has been wrong, but has already, for some time, been the subject of a coordinated attempt at improvement, to destroy the framework of the bulk shipping industry as it has developed over the last 150 years," the presentation said.

CSO: 4600/604

STRIKES, ONGOING LABOR UNREST DEPLORED

Athens BUSINESS & FINANCE in English No 198, 12 Jun 82 pp 6-7

[Article by George Ventry-Canning]

[Text] Attention is focussed more and more on the domestic political front. Strike activity has picked up significantly. And apparently the end is nowhere in sight.

The week's event in the field of foreign affairs was the visit to Athens on June 3 and 4 of General Bernard Rogers, Supreme NATO Allied Commander in Europe, for talks with the President of the Republic, the Prime Minister and the chiefs of the armed forces. The discussion with the Prime Minister did not last all that long--just over an hour. Like all communiques, the one issued afterward revealed nothing of substance. However, its brevity and wording... "A very useful exchange of views took place between the Prime Minister, Mr. A. Papandreou, in his capacity as Minister of Defense, and the Supreme Commander of the NATO forces in Europe. The positions of both sides were set out in regard to Greece's relationship with NATO, always, of course, within the framework of the Alliance..."

To most observers, this seems to say that various points of disagreement were explained and that both sides stuck to the positions which they held at the outset of the talks. There is no need here to go over, once again, the various grievances Greece has with the alliance. They are too well known. If any of them had been settled during these talks, it would have been natural for both sides to have publicized the fact, in or outside the communique. It must therefore be assumed that little if any progress can have been achieved over such questions as Cyprus, fears for the safety of some of the most easterly Greek islands in the Aegean, exploitation of the Aegean continental shelf, reported trespassing of Greek airspace, the future of U.S. military bases in Greece, etc. The last sentence in the communique underlines that whatever the discussions might have been, they were conducted by Greece in its continued status of a NATO member state.

The general's visit had also been seen as a form of preparation for the interview which Mr. Papandreou is expected to have with President Reagan during the latter's current visit to countries of Western Europe.

The other "event" was that the visit (once again) to Athens of the Cypriot President Spyros Kyprianou who stopped in the capital on his flight to attend a United Nations session in New York. He was met at the airport on arrival June 3 by Yiannis Haralambopoulos, Minister of Foreign Affairs. Mr. Kyprianou was accompanied by his own Foreign Minister, Rolandis. There were certainly none of the tumultuous welcomes of previous occasions and Mr. Kyprianou did not see Mr. Papandreou until the late afternoon of the following day. However, this detail is not of such significance as might have seemed at first sight, since Kyprianou's visit coincided with the highly important visit of General Rogers and the Greek Prime Minister could not be everywhere at once.

However, no official announcement was made of the arrival of the Cypriot President, and there has been an unmistakable note of what might be considered as coolness over the whole affair. It is not yet apparent if the two-hour talks between Mr. Papandreou and Mr. Kyprianou, in the presence of their Ministers of Foreign Affairs, succeeded in getting matters back to an even keel, especially after the estrangement caused by Mr. Kyprianou's political pact with the Cypriot Communist Party AKEL.

The matter might not have been so much of a sore point at this particular moment, were it not for the fact that the Greek Communist Party has begun, as already reported in this journal, something of a war of attrition against the country's socialist government.

Therefore, Mr. Kyprianou's choice to chum up at this particular moment with the communists in Cyprus (who maintain close contact with the equally Moscow-orientated KKE Communist Party of Greece) was, to say the least, an unfortunate [word illegible]. The KKE had backed PASOK while the latter was still in opposition, and had helped wear down the conservative New Democracy Party which had helped wear down the conservative New Democracy Party which had held office for all the years since the overthrow of the 1967-1974 military regime. PASOK had adopted, in the pre-election period, so many of the slogans and political pronouncement, until then used exclusively by KKE, such as "Out of NATO," "out of the EEC," etc., that it has now given the latter a chance to accuse PASOK in government of not honoring these promises.

Also, repeated strike action in public utility services and in industry, instigated by KKE during the periods of government by New Democracy, received sympathy or, as some would have said, active support by PASOK elements in the trade unions.

Now, PASOK is finding out just how much trouble the KKE is capable of creating through the trade unions, and what a costly affair any form of alliance with a communist party, anywhere in the world, can be. In this particular instance, it is not even possible to blame anything on the New Democracy opposition party because its influence in the trade unions is minimal. The entire issue is now between PASOK and KKE.

The banks have been closed, for nine days already, and probably will remain so for several more. The powerful ADEDY Federation of Civil Service Unions

is coming out on "a warning strike" on June 17 and 18. The urban bus drivers have gone back to work, after intermittent strikes and work stoppages during the last three weeks, but only after their demands had been met. The daily press type-setters and other technicians in the newspaper printing works began strike action on June 5. In their particular case, the strike has been obviously politically motivated because they are easily the country's highest paid workers. It need only be said that the man in charge of a newspaper's printing machine receives a monthly salary of 432,567 drs., compared with the Prime Minister's 145,619 drs. A newspaper linotype worker with five years service is paid 130,845 drs., while a director at a ministry with 29 years service receives 65,693 drs. These newspaper employees are asking for increases of up to 40%.

The government's reaction to this strike activity is of special interest. In effect it had already manifested itself over the bank clerks' strike. To start with, none other than the Prime Minister himself made the point that the duty of trade unionism was not to promote the interests of one particular syndicated group of workers at the expense of society as a whole. Trade unionism, he maintained, should be a mass organization aiming to promote the government's plan for social change for the benefit of the nation's workers as a whole. Further, after a certain stage in the negotiations with the bank clerks, it was the PASOK Executive Committee that came out to the forefront, displacing in the process official government negotiators. This should be looked upon as a significant development because it shows that just as the KKE has its powerful internal organization which pulls the strings, so has PASOK its own internal mechanism which has not hesitated to reveal itself, as occasion demands.

That the two left-wing groupings are now on a collision course would be difficult to deny. The misfortune is that in the absence of a half-way liberal party on which PASOK could lean without foregoing too much of its theoretical stand point, there is nothing between it and the communists on the left and the New Democracy conservatives on the right.

For its part, New Democracy still appears to be in a state of great disarray, after its autumn election defeat. The party dismissed its leader soon after that election, but his successor is one of the old guard and more than 70 years of age. The two men have a fairly well-matched following in the party. This does not lead toward a united, reorganized political machine able to stage an effective comeback, and this may explain, at least in part, why the director general of New Democracy Mr. Papathanasiou has resigned his post--or so it is rumored.

There seems to be a total lack of a choice of young or young-to-middle-aged men from whom to pick a new leader able to inspire confidence and hope. A fairly powerful figure with a gift of leadership does exist, but he was an ally who came over from a different political origin and joined New Democracy at a fairly late stage. He is the Cretan politician Constantinos Mitsotakis, but he is not really part and parcel of the New Democracy or conservative element, and is more than likely to meet with much obstruction from within.

All these considerations are of importance, because the line-up for the autumn municipal elections throughout Greece has virtually begun, and the position can only be described as highly confused. A rough forecast, five months ahead of the elections, would suggest that New Democracy may retain approximately the support it had during the October 1981 parliamentary elections, with a possible minimum gain from some disenchanted former liberals who had voted for PASOK, while the communists may make more severe inroads on the PASOK strength.

Whichever way one looks at it, the picture is not encouraging. Differentiations may turn out more pronounced than they have been forecast above, but this is likely to occur only if the Government's economic plans do not turn out in practice in the manner in which they were ordered in theory. It would be unfair and too soon to make such an assertion at this stage. Hesitation, uncertainty and apparently unnecessary delays in taking economic decisions there certainly appear to exist, but to claim, from now, that these add up to failure would be an exaggeration.

CSO: 4600/602

GOVERNMENT'S ECONOMIC POLICY CRITICIZED

Athens BUSINESS & FINANCE in English No 198, 12 Jun 82 pp 4-5

[Text] Eight months into the life of the new government, an economic policy has yet to come to grips with the realities of the recession and people's expectations. Perhaps only the Prime Minister's intervention may save the situation.

There are quite a few observers who believe that slowly but inexorably the Greek economy is slipping out of control. Two sets of factors appear to be at work, according to this scenario. On the one hand, long-term trends predominate and keep the economy on a recessionary path. On the other, the government has yet to get its economic act together. As a result, 1982 may end up as one of the worst years in the post-war development history of the country, the Prime Minister's warning about this being a difficult period notwithstanding.

There is no doubt that the state of the economy is anything but healthy. On this issue the previous government must accept a large share of the responsibility and the blame. Time and again it had the opportunity to get the economy moving. Yet on each occasion it showed itself unwilling to pay the political price that this entailed, even though there was quite a valid argument in favor of the view that the population was more than willing to accept sacrifices, provided that these were real and spread over the entire society.

Which were the steps that should have been taken is now a question best left to the economic historians. Yet it looks as if two essential conditions could have been met--if the political will had been there. The first was to control the growth of the public sector, including a real freeze on the hiring of new employees and a drastic reorganization of all state enterprises and entities. The second was the decontrol of the economy from most of the cumbersome state intervention, as well as the clear determination of the framework within which private enterprises were expected to operate. The former was never really undertaken and, if anything, the public sector crowded out the private during the last year of the New Democracy rule. The latter was left to be implemented much too late. As a result, economic policy lacked credibility, investment stagnated, inflation remained high and Greek economic policy thus exacerbated the negative impact of the world recession and, especially, the second oil crisis.

The present government started off with all the good will that invariably comes with the incoming of a new administration. On the international front, two factors were playing against each other. One, the price of oil was first stable, then sliding down. Two, the world recession was proving to be deeper and more obstinate than most economists and politicians had believed. On balance, one may risk the judgement that the overall situation was probably more favorable to this country than at any other time in the last five years. On the domestic front, the government appeared to have a freedom of movement that has rarely been paralleled in modern Greek history. Initially it moved with daring and determination. It is not an easy thing to decide that prices of public utilities must go up or that income changes must be instituted that will alter the pattern of income distribution. Yet the decisions were taken, and they were supplemented with some equally daring changes on the social front. Then, the impetus appeared to fizzle out.

There are four major watersheds that we might consider. The first was the introduction of the budget. Up until that time, people were content to wait and see. When the Minister of Finance presented his work in Parliament, two things became obvious immediately. One, that PASOK had no ready blueprint for the ills of the Greek economy. Contrary to its pre-electoral promises, it found itself in a state of complete unpreparedness, some would even say ignorance, about the way to handle the chronic crisis of the economy. Two, the budget presented a gamble that was not even calculated. The projected rate of increase in revenues exceeded all rational expectations and flew contrary to all economic variables. The expectations for the inflow of income from the Common Market could not tally with the known limits on the ability of the economy to prepare the required plans and absorb the funds. The estimated rate of increase in expenditure appeared too far on the low side, with the result that, today, all officials at the General Accounting Office live in agony about the size of this year's deficit.

The second was the on-again, off-again serial with the investment incentives law. The government, obviously bowing to political pressure from its left wing, decided to annul Law 1116, which just happened to be one of the most successful laws ever passed by the Greek state, at least if one is to judge from the results during the short period of its operation. A new law has now been passed, with some important changes, though most of the incentives have been retained. The damage, however, has been two-fold. On the one hand, no one is going to come and invest in Greece knowing that in all projects which exceed 10 million drs. the Greek state is an obligatory partner. Two, the long delay in passing the new bill has simply meant that there will be no investment activity, at least for this year.

The third watershed concerns the new labor law. Simply put, any unofficial workers' "committee" can literally shut down, say, a furniture factory in Lamia in support of the plight of workers in Argentina. Lock-outs are forbidden, workers cannot really be fired, the right to a secret ballot when deciding on a strike has been annulled, employers are responsible for the collection of union dues, and all workers are automatically considered to belong to the factory union unless they expressly sign a document to the contrary. It now appears that the government has erred very seriously in bringing this law to Parliament.

Last week a meeting under the chairmanship of the Prime Minister at Kastri failed to resolve most of the issues that have arisen. Politically the government has found itself in a bind. Its reaction to the strikes of the bank employees, the bus drivers and, now, the printers, shows very clearly that it has belatedly remembered that it is the country's largest employer. Yet it cannot give way. Its left wing will not let it, while it cannot accept the political cost of admitting that it was wrong to introduce some of the provisions that we mentioned above. The result is that investment will suffer since few, if any, businessmen will be willing to accept the risk of operating under a law that is reminiscent of some of the least desirable characteristics of the British experience.

The fourth watershed concerns that famous and rather well-noted aside of the governor of the Bank of Greece, Gerasimos Arsenis, at the general meeting of the Confederation of Greek Industries. As is well known, the governor, presumably under the influence of the work that he had been doing at the World Bank, put forward a model of Greek economic growth that would depend on the internal market to provide most of the impetus for growth and on the third-world markets to provide the outlet for Greek exports. These prospects have created a good deal of worry not only among economists but also among businessmen.

It is difficult to see how Greece can win third-world export markets when most of these are slow-growing and geographically closer to the newly industrialized countries which, in any case, have a structure of production similar to our own and, consequently, can compete with us in a very effective way. Even further, one is equally hard put to understand how the domestic market can be the focal point of growth for the Greek economy at a time when we have joined the Common Market and when, in the past, the size of our market has proved to be an impediment, rather than a blessing in our efforts to grow.

The outlook that seems to be emerging is, thus, anything but optimistic. The government appears to be torn between its desire to be practical and get the economy moving and its political debt to the dogmatism of its left wing. Its compromises, like all compromises, please no one, and most certainly have so far failed the economy. There can now be very few doubts that the most likely scenario for the present and the coming year involves the continuation of the stagnation in investment, the maintenance of inflation at its present high levels, the possible increase in the public sector deficit and the worsening of the balance-of-payments situation. In this last case, exports will be mainly responsible for the poor performance, while tourism and remittances will no longer contribute to the same extent as in the past, toward the reduction of the balance-of-trade deficit.

One way out of the impasse would be for the Prime Minister to pay less attention to foreign affairs and use his considerable power and influence in order to forge a new economic consensus. Whether even he can avoid a split with the left is an open question. The answer, however, may not be long in coming.

CSO: 4600/601

SHIPPING INDUSTRY TAKES STAND AGAINST POLLUTION

Athens BUSINESS & FINANCE in English No 198, 12 Jun 82 p 22

[Text] The Greek shipping industry, represented by the Union of Greek Shipowners and the Panhellenic Seamen's Federation, was hailed as "inspirational," "bold" and "precedent-setting" by world-reknown environmental organizations June 4 when it launched the Hellenic Marine Environment Protection Association (HELMEPA).

On the same day, as worldwide shipping interests were gathering in Piraeus for this week's Posidonia '82 shipping exhibition, five major international environmental groups announced their association with the voluntary anti-marine pollution association. A host of others applauded the initiative, expressing the hope that shipowner groups throughout the world would "follow the good example shown by the Greeks."

Immediately associating themselves with HELMEPA were the prestigious International Institute for Environment and Development (HED), the International Union for the Conservation of Nature and Natural Resources (IUCN), the World Wildlife Fund (WWF), the Club of Rome and the International Ocean Institute (IOI).

Also applauding the newly formed group, which will establish a fully staffed office in Athens, were the European Environmental Bureau (EEB), the International Maritime Organization, the Hellenic Society for the Protection of Natural and Cultural Environment (Elliniki Etaircia), the Greek Minister of Housing, Planning and Environment Antonis Tritsis and Dr. Edgar Gold, professor of maritime law at Canada's Dalhousie University.

The declaration of voluntary commitment to "Save the Seas," announced by shipowner George P. Livanos, secretary general of the Union of Greek Shipowners and chairman of its Environment Committee, incorporates a "Marine Pollution Action Plan" which will be closely monitored by HED, which along with the other endorsing parties helped in preparing the plan.

According to Dr. Gold, who also represents the Club of Rome and is acting as well for HED, "only time will tell how this experiment will develop." He said HELMEPA probably will take a year to put its ideas into practice, at the end of which its progress should be "assessed and judged."

Yet already acting on behalf of HELMEPA, HED is examining one possible technology--metallic "tagging" of oil residues, as developed by the Swedish government--which it says may prove useful in helping monitor and identify oil spills wherever they may occur in the seas.

Inaugurated with an optimistic "confidence that ship-generated marine pollution can virtually be eliminated with sufficient effort and goodwill," HELMEPA's aim is to "educate and monitor the Greek fleet's ability to improve its record in all aspects of ship-generated pollution, and give a good example to all."

Funded solely by shipowning and -operated members, the association intends to attract the fullest possible membership, establish a data bank of pollution incidents, prevention technology and anti-pollution developments, interact with similarly interested governmental and non-governmental bodies, participate in related international gatherings and identify both those who aid the aims of the association and those who jeopardise the marine environment.

"We intend to upgrade the environmental conscience of the entire shipping industry...having faith that voluntary action will achieve more effectively what regimented policing has failed to accomplish so far," Livanos said.

Despite the fact that HELMEPA's principle function is education, rather than regulation, Livanos added, its rules will be strict. "This association will not tolerate those in the Greek shipping community shown, through proper evidence, to have willfully caused marine pollution with disregard to the principles of the association, and will deny or withdraw membership appropriately.

"What we do not need is one more bureaucratic mechanism," he said. "What we need is to put modern technology into good use, to continue exploiting the oceans without limiting their originally endless potentialities and without gradually devastating their eco-systems."

Aristomenis Karageorgis, president of the Union of Greek Shipowners, stressed what he termed is the erroneously bad reputation of Greek ships for their contribution to marine pollution--just because Greece has about one-fifth of the world's merchant fleet.

Rather, he said, "while in the past Greece was sometimes slow to ratify" anti-pollution measures, "in the last 10 years both the government and industry have shown a new determination to protect the marine environment."

Karageorgis said this determination is illustrated by an introduction of firm measures, including fines of up to \$1.5 million, lengthy prison terms and, in the case of seamen, strong disciplinary action in the event of pollution.

Greece also, in January, was one of 14 nations which signed the Paris Memorandum on port state control, described as "the biggest single step toward maritime safety." The memorandum goes into effect in July, and will ensure that participating countries inspect one-fourth of the foreign vessels which visit their ports.

Canada's Dr. Gold, however, terms the Greek shipping industry's latest act a "bold experiment" and probably the most important voluntary environmental initiative from the shipping industry since the Tanker Owners' Voluntary Agreement Concerning Oil Pollution (TOVALOP) in 1969.

CSO: 4600/603

BALANCE OF PAYMENTS WORSENING

Lisbon O JORNAL in Portuguese 10 Jun 82 p 31

[Article by Daniel Amaral: "Capital Flight"]

[Text] By now, Portugal's ordinary citizen has many times over learned the message which everybody has been selling him in recent times: We are living beyond our means, the exchange situation is very difficult and, within a short time, we will have no further alternatives--either we sell the gold we still have left or we openly (if they let us) enter the phase where we must take out loans to pay off other loans.

The average citizen perhaps does not yet have a very good idea of what the balance of current transactions is; but he certainly by now deep in his heart knows the administration's "approach" in justifying why the situation is bad: We have a terrible drought, such as we have not had it for at least a century; the Arabs always are stubborn in dealing with AD [Democratic Alliance] as we can see by the fact that they raised petroleum prices only when AD came to power; Reagan, who seems to be a kind of character, finally had enough of the opposition and, by means of the dollar, is about to squeeze us dry; finally, the international trade crisis, which might just as well have happened during the time of the PS [Socialist Party], happened to materialize now. In view of all this, what could you expect?

We accept the administration's "arguments" as well as its excuses but that does not make things any better. The truth is that, for one reason or another, investments have declined, output is not going up, unemployment keeps spreading, inflation eats away at us and, worst of all dramas, our foreign debt, with its unstoppable growth, one fine day threatens to do us in by asphyxia.

This is the topic on which once again we wish to reflect a little bit today. As we know, the Portuguese foreign debt should be close to \$11 billion--about 800 million contos at the current rate of exchange--more than 50 percent of the domestic product and, in relative terms, one of the biggest in the world. The truth is that we still have gold reserves which, if sold completely at today's prices, would almost enable us to wipe out that debt completely. But we cannot rest on the laurels of our past; time flies and we have to keep up.

Now, whom can we blame all these deficits on? Is this only a problem of the balance of trade which is not completely compensated for by tourism and remittances from emigrants? And what about the capital flight which is so much talked about, sometimes with so much fear? What does underbilling and overbilling mean? What are their dimensions? Who engages in that sort of thing?

Underbilling Exports

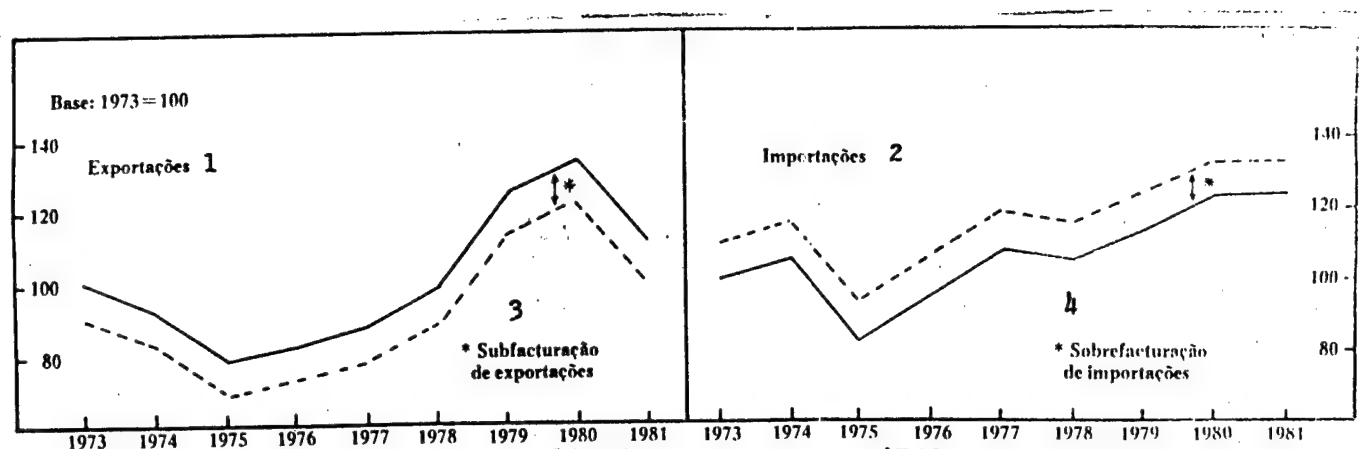
In planning to write this article, we thought we might dispense with everything in the way of statistics in an attempt to secure those elements of information which would enable us to come up with some significant conclusions. But in practice everything was in vain: The flight of capital abroad is a fact which nobody is unaware of today, a fact which we know is assuming very great dimensions but which, in spite of that, we cannot measure, nor control. Even so, in the meantime, it seems to us that it is worth trying to come up with an explanation and to spell the whole thing out.

The reader has before him Graph 1 which, in its first half, shows the development of Portuguese exports in terms of volume until 1980, that is, down 6.8 percent in 1974, down 15.8 percent in 1975, 5 percent in 1976, etc.

Now, it so happens that some Portuguese exporters, in handling these sales, used this opportunity to transfer money abroad, thus taking money away from the Portuguese economy through a very easy but uncontrollable method, the method of underbilling. Let the reader imagine the sale of any portion of goods, in terms of 100 units. The exporter bills the customer for 100 and gets 100 but in his books he records a bill of only 80. Upon being paid, he makes the proper separation: 80 go to Portugal, where his customer's account is settled, and the remaining 20 will go to any bank account which our Portuguese exporter happens to have in Switzerland. Then the whole thing is repeated, once, twice, as many times as necessary, depending upon his appetite.

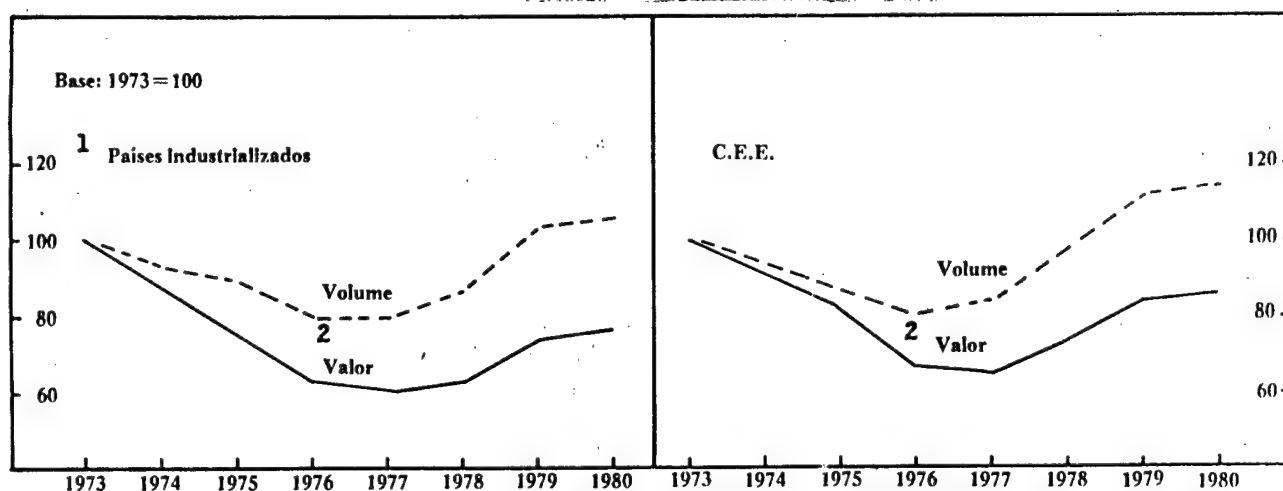
How many businessmen work this way? What amounts are involved? That is something which nobody knows.

To be able to determine the amount of this capital flight it was necessary for us first of all to get the real value of the billing amount of each product and then its artificial value so that we could then calculate the difference. Now, it so happens that, except for very rare cases, product prices follow the natural law of supply and demand which is why they cannot be known previously. Now, businessmen sell abroad at the price which they can get and at home they record those sales at the price they want. We see no possibility whatsoever of any control in this area.



Graph 1. Development of Portuguese Foreign Trade, By Volume. Key: 1--exports; 2--imports; 3--underbilling of exports; 4--overbilling of exports. It is now accepted that many Portuguese enterprises are unlawfully transferring capital abroad through the method of underbilling exports or overbilling imports, as the above graph shows. But we do not know which enterprises do that and what the amounts involved are. Source: Bank of Portugal.

In spite of the difficulty in analyzing this point, we will try to do some research; the first of these results can be seen in Graph 2. Let us note the following: The Portuguese market shares among the industrialized countries in terms of volume, starting with a base of 100 in 1973, dropped tremendously until 1977 when they reached an index of 81; then the trend changed and in 1980 the index was 106 with a market share far greater than at the start of this period of time. But this, we note, applies only in terms of volume; looking at value, during the same period of time, the index goes from 100 down to only 76. Why? Here we are looking at another, smaller market, the EEC market. In terms of volume, we rise from an index of 100 to an index of 115; in terms of value, we drop from 100 down to 86. Again, why?



Graph 2. Development of Market Shares of Portuguese Products. Key: 1--industrialized countries; 2--value; CEE--EEC. From 1973 until 1980, the market shares

of Portuguese products developed much more favorably in terms of volume than in terms of value. Why? Could it be that, to a certain extent, this development expresses an unlawful transfer of capital? Source: IMF.

The explanation which immediately comes to mind is rather straight: This is happening because average prices on Portuguese exports went down in relation to the average prices of imports of Portuguese products by the destination countries. But this explanation is not satisfactory: Did prices drop really or did we simply think they dropped in order to increase the flight of capital abroad? How many improper transfers are hidden behind those figures?

We then conducted another experiment which was to compare the increase in the average value of exports to the average increase in prices on the domestic market--a line of reasoning which enables us to assume that inflation is completely transferred to exported products--but here we arrive at contradictory conclusions. For example, in 1980, inflation was 16.6 percent but the average value of exports went up 23.4 percent--where, it seems, prices were "too" high. In 1976, on the other hand, inflation was 16 percent, whereas the average value of exports went up only 6.4 percent; was this the flight of the remaining portion? In 1978, the two rates were already exactly equal at 22.3 percent.

It must be reported however that this does not seem to be a good process for drawing final conclusions since, we repeat, an export price can be more the function of the international economic situation rather than of domestic inflation.

Overbilling Imports

But we must not think that only exporters can make unlawful transfers abroad. Importers can do that too: They do this in the exactly opposite way, that is, they overbill the products which they buy abroad so as to cause a larger quantity of the debt to move out of Portugal. The difference, as in the earlier case, goes to a bank account--again, once, twice, as many times as necessary to feed this appetite. Besides, the exporting and importing enterprise many times is just one outfit which does both things: All it has to do is pick the method it likes best.

The second part of Graph 1 in essence shows what happens: There is a certain development of imports in terms of volume but the prices paid for these products top what would normally be due under these conditions. The difference expresses an unlawful transfer of capital by the method of overbilling.

In this case, to be able to draw some possible conclusions, the comparison must be made between the increase in the average value of imports, on the one hand, and the increase in prices in the country of import, added on top of the average variation in the value of the escudo in relation to the respective currencies, on the other hand. But the comparison is difficult due to the large number of countries, currencies, forms of inflation, and exchange rates.

Let us therefore as a mere exercise look at the year 1980 and let us agree that all imports were made in dollars. In 1980, inflation in the United States was

10.5 percent and the value of the dollar compared to the escudo was 2.3 percent. This means that, under normal conditions, the average value of Portuguese imports, when expressed in escudos, should have increased 12.8 percent that year. Now, looking at the statistics, we find that this average value went up 29.6 percent! Why? Do we not have a hidden unlawful transfer of capital here likewise?

Well, it is natural that this should be so but we must not be hasty. It suffices to note that the price of petroleum, which very greatly influences the average value of Portuguese imports, cannot have anything to do with American inflation.

Is Excessive Zeal Harmful?

So far we have been talking only about products, that is, goods, visible items, which can be underbilled or overbilled, depending upon the case in order thus to facilitate transfers of foreign exchange abroad. But there is also a more subtle form of flight within the reach of any service enterprise that operates abroad. Here again there is no possibility of control. The enterprise which renders these services makes 100 and tells the Portuguese authorities that it made only 10; in the meantime, it transfers 10 to Portugal and 90 to a foreign bank account elsewhere. So much for that.

There are many people in Portugal who think that they can solve this problem through legislation, through penalties, by closely watching enterprises which are potential exporters of services. This is idiotic: The problem can be solved only by creating conditions which will make some enterprises think that it is better to bring money into the country than to leave it abroad. In other words, the problem here again resides in credibility and not in applying the whip.

Sometime ago a businessman told us a story which it is worth thinking about deeply. This businessman had and still has a service enterprise that operates abroad, engaging in a highly profitable activity. He always transferred all profits to Portugal. But, one fine day, after having transferred many thousands of contos, he had to take care of certain expenditures so that he momentarily did not have any money at the office. With the best of intentions and telling the truth, he asked the Bank of Portugal to transfer a few miserable hundreds of contos. That caused a big fuss. They sent him a ton of papers to fill out, with many detailed questions, trying to find out whether he really needed all that money and why he needed it and what if afterward he did not bring it back? This was an eye-opener for our businessman and he refrained from doing anything. He did nothing but he learned. Since then, he never again bothered the technicians at the Bank of Portugal; he now has a personal account in foreign exchange somewhere in a foreign country which he moves when he wants to, the way he wants to, without any need for filling out any forms.

When are we going to learn, once and for all, that excessive zeal can also be harmful?

5058

CSO: 3101/46

TURKEY AS FINANCIAL FOCAL POINT EXAMINED

Turkey as Financial Center

Istanbul CUMHURİYET in Turkish 14 May 82 p 6

[Interview with Husnu Dogan, director of the Department of Foreign Investment of the Office of the Prime Minister, by Kenan Bey; date and place not specified]

[Text] Izmir--Pending the arrival of the official representatives of the Daimler-Benz firm, manufacturer of Mercedes vehicles, we discussed with Husnu Dogan, director of the Department of Foreign Investment of the Office of the Prime Minister, Turkey's foreign investment policy and her possibilities in this area. Following are our questions and Dogan's answers.

[Question] Mr Dogan, what is the role of the Department of Foreign Investment in the area of foreign investments? Are there any areas that remain closed to foreign investment after the recent change in regulations?

[Answer] The former law was, in essence, a liberal one. However, applications had to go through a long process. After the establishment of the department we assumed sole responsibility for the process. We took charge of the whole operation by issuing the "Foreign Investment Framework Regulation" Number 8/168.

[Question] An objection was voiced against these liberal articles by World Bank specialist Prof Bella Ballassa, for one, during his visit to Turkey in July 1981. He claimed that Turkey should pursue a different foreign investment policy. In the light of this argument, will there be a relaxation regarding, for example, the article that stipulates foreign investments cannot exceed the 49 percent limit?

[Answer] Kenan Bey, I believe there is a misunderstanding here. We do accept foreign investments exceeding 49 percent. However, beyond this limit, the ratification of the Council of Ministers is necessary. In order to clarify this issue, we even thought of preparing a new text. The citizen either does not understand this part or does not read it. In other words, the mode of

presentation suffers from a difference of meaning. We are not imposing limits on foreign investment.

[Question] However, we see that in spite of all the liberal articles, enterprises are very limited. Therefore, are you thinking of making a declaration, for example?

[Answer] The application should acquire, in its main outline, a certain stability. Foreign investment should not be couched in radical expectations. However, Turkey's position with respect to foreign investment is outstanding. Turkey is an investment base in the Middle East. Her stability cannot be compared to that of any other Middle Eastern nation. She appeals tremendously to foreign capital with her per capita income of 1,300 dollars. Therefore, I can claim that concrete applications will carry more weight than declarations. However, a declaration is important at times. For example, gas companies required that the rights we established by our regulation become laws. However, let me add that our attitude is basically one of openness to foreign investment.

[Question] Mr Dogan, we see that foreign investment projects usually correspond to a paying off of the unguaranteed foreign commercial loans. Are we mistaken, then, if we assume that there is not much cash involved?

[Answer] We should not place the issue in a rational macro-framework. If Turkey is a debtor, and if the cost of her debts is low, nobody would be willing to bring cash to Turkey. We have come very close to paying off all the unguaranteed loans. I can announce the good news that after the second half of 1982, there will be foreign investments bringing in good money.

[Question] What do you mean by that?

[Answer] The amount that comes in is not important. We will create viability in this way. The Mercedes project and the search for Etibank copper resources by the United States firm Pleplis Dodge are very important developments in this respect.

[Question] Are there certain criteria by which foreign investment applications are evaluated? Or do you accept every foreign project that accelerates the growth of capital in Turkey?

[Answer] Turkey's number one problem is investment, and more investment. Therefore, we accept every project that creates employment and accelerates the growth of capital. However, I can say that each project is judged individually.

[Question] In a recent open discussion you have made the comment, "foreign investment is not the only recipe for development." How important is the role of foreign investment in Turkey's development?

[Answer] In general, foreign investment is like oil for the engine. Furthermore, it is a school in the sense that it trains manpower. Therefore, foreign investment is a necessity for Turkey. Although it is not a panacea,

it is an inevitable necessity. The smell of the loaf has to be out to attract foreign investment. If you cannot let that happen, do not expect foreign investment to come.

Who Is Husnu Dogan

Born in Malatya in 1944, Husnu Dogan graduated from the Department of Civil Engineering of the ODTU [Middle East Technical University] as a civil engineer. After working in the DPT [State Planning Organization] Research Group, the Ministry of Agriculture Research Group and in the private sector, he became the director of the Department of Foreign Investment upon the establishment of the latter in 1980. Dogan, who is the sole responsible agent for authorization of foreign investment enterprises up to 50 million dollars, is married and speaks English.

Turkey as Middle East Finance Center

Istanbul DUNYA in Turkish 25 May 82 p 4

[Text] Can Turkey be the financial center of the Middle East? Directors of the central banks of the member nations of the Islamic Conference meeting in Istanbul and the governors of the Islamic Banks Union are discussing the framework of a solidarity that implicitly includes this question.

Turkey's role in this discussion is undoubtedly not limited to that of the host; there are expectations. However, as far as can be determined, expectations are expressed with an emotionally highly charged approach, rather than being placed on concrete foundations. Whether or not Turkey will become a financial center in the Middle East is a question of very little significance, for it depends greatly on the execution of more clear-cut decisions and policies and their determined enforcement. In that case, the question is the following: "Can Turkey undertake a leading role in the economic solidarity of the Islamic nations?" The economies of Islamic nations display great differences among one another. Individually observed, there are ranks of wealth and the gaps between them are quite wide. However, the source of wealth is limited. There are those who export petroleum and those who have to pay billions for it. The economy of some depends almost entirely on the export of a raw material. Some Islamic countries are totally dependant on foreign sources for agricultural products. Statistically speaking, of these countries, whose only common denominator is membership in the same religious community, 17 are classified on the international scale as poor, 16 are within the middle-income range and 9 are affluent. In this framework, Turkey enjoys relative advantages. In spite of all the lack of planning and short-term administrative policies, she is in a position to meet the food demands of Islamic countries with a mediocre agricultural potential. Compared to many an Islamic nation, Turkey's industrial power, technological know-how and scientific reservoir are fairly advanced. In other words, her potential for trade with these countries is given.

The possibility is always there, but there are great obstacles on the way to preparing the ground for economic and eventual political solidarity among

Islamic nations. Another common factor that joins the Islamic nations who sent their representatives to Istanbul is their political independence coupled, however, with their dependence on advanced Western economies. This factor adversely affects limited relations. The adversity resides not in the existence of relations with Western economies but in the inequality of these relations. And the West is sensitive toward solidarity and cooperation efforts between developing countries. When the political structures and relations of the Islamic countries are taken into consideration, it will be seen that this sensitivity will necessitate a patient and determined cooperation effort accelerated in gradual stages.

The Islamic movement at the economic level, like the 77's movement, is growing with the force of this difficulty. The first task of the Islamic nations, all structurally classified as Third World countries, is to fortify their positions. This action includes in the agenda a joining of forces by the Islamic nations within a framework of mutual advantages and benefits. The Istanbul meetings should set realistic policies while at the same time forming a developmental stage in the pursuit of these efforts. For example, the idea of an Islamic Common Market is an unrealistic one, whereas regulation of trade among Islamic nations, securing of marketing advantages, undertaking joint ventures and energizing capital movements are realistic points of departure. Likewise, joining struggles against advanced economies on an international platform with the objective of creating a more just world economy is a concrete example. When it is perceived that dominant conflicts are experienced not among Islamic nations but in the relations with Western economies, then the prerequisite for small-scale solidarity attempts will be more easily realized.

Seen from this perspective, it is possible to say that Turkey's attempts at forming a Middle Eastern policy are based on sound principles. The degree of success in basing policies on a concrete foundation in a network of relations where political, economic and social conflicts are enmeshed, will increase the chances of gaining leadership in the Islamic economic solidarity. With its problems and its power the Third World is a reality. And the national and international conjuncture will help the West understand this reality better in the long run, if only we do not confuse what we can do with what we cannot do at the preliminary stage.

12,019

CSO: 4654/334

MARKET VALUE, FATE OF LIRA EXAMINED

Istanbul DUNYA in Turkish 20 May 82 p 1

[Text] What does the black market value of the Turkish lira, determined in the free market with respect to foreign currencies, mean? In an economy where foreign currency exchange rates are determined by public authority and currency exchanges are controlled by a system of banks, the answer to this question becomes clear: "the foreign currency rates on the market determine the rate of unofficial transactions."

If the dimensions of unofficial transactions in an economy are negligible, then the event will undoubtedly be merely an object of crime prevention efforts. Whether or not the event acquires economic significance depends on the magnitude of unofficial transactions. In fact, the foreign currency bottleneck of 1977 was one result of the magnitude of such transactions.

It will be remembered that import needs that have been greatly restricted in the recent years were met through unofficial channels dubbed the "Wooden Tower Market" and that this phenomenon merited the honor of being "the dynamic force of the Turkish economy." It was observed that in those days a difference of at least 10 percent persisted between the official and black market rates of the Turkish lira.

The elimination of the black market rate of the Turkish lira and the bridging of the gap between the official and market rates are often cited as the success signs of the stabilization program endorsed by the Deputy Prime Minister Turgut Ozal. Ozal attributes this development to the relaxation of foreign currency regulations and the promptness of import transfers. To this we can add the continuous devaluation of the Turkish lira with respect to foreign currencies.

The sudden fall in the free market value of the Turkish lira with respect to the U.S. dollar shortly before the realization of the above conditions, was an unexpected development that generated apprehension.

Today, however, the free market value of the U.S. dollar that was up to 188 liras has dropped to 155 liras. Thus, the difference between the official and black market rates was reduced from 20 to 2 percent. This drop justifies Deputy Prime Minister Turgut Ozal's reaction to the rumors about the revival of the black market and his pertinent accusations.

As far as it can be determined, the loss of the value of the Turkish lira was generated by speculative expectations concerning export advance loans. The sudden growth in the area of export advance loans brought about by the Turkish banking system has fomented speculative expectations in certain circles that perceive export only as a profitable money exchange. There is no doubt that these circles are gripped by the desire to abuse export loans by fictive export maneuvers without any material basis. "Scientific" explanations that evaluate the concept of export loans in the light of comparisons to the unfortunate DCM [Convertible Lira Account] applications of the past have contributed to this outlook. The effort to meet export obligations undertaken within the framework of export loans has, in all probability, led to the endeavor to collect foreign currency in return for the Turkish lira. And this has resulted in the loss of the value of the Turkish lira.

Today, we can hope that speculative expectations concerning advance loans are thwarted. If the Central Bank and the Ministry of Finance show due concern and the banking system operates soundly, then the exporters who have undertaken export obligations would have to fulfill those. Otherwise, they would face exchange risks and a 45 percent fine. The prevention of the use of the Turkish lira in the market as an object freely tossed around, depends on the realization of the conditions of this legal foundation upon which the system is based.

12,019
CSO: 4654/333

TENOR OF ISLAMIC DEVELOPMENT BANK RELATIONS GIVEN

Istanbul CUMHURIYET in Turkish 23 May 82 p 12

[Text] The director of the IKB [Islamic Development Bank] Dr Muhammed Ali, who is in Istanbul for the sixth annual meeting of the Islamic Development Bank governors, stated that Turkey has contributed a great deal of help and support to the bank since its establishment in 1975. Kaya Erdem, term chairman of the Islamic Development Bank board of governors, commented, "Through the Islamic Development Bank, Turkey will have the means to transfer her technology and advanced manpower to other Islamic countries."

Dr Muhammed Ali and Kaya Erdem responded to the questions of the Turkish and foreign correspondents during a press conference they held jointly in Istanbul. In his opening speech, the Saudi Arabian director of the IKB maintained that the bank had chosen, since its establishment in 1975, as its main objective, the economic development member nations and that it received much support from Turkey, one of its most developed member nations, in meeting this objective. He thanked the Turkish officials for their help. Muhammed Ali remarked that Turkey made great contributions to the progress of less developed nations.

In response to a question, Dr Muhammed Ali emphasized that the differences in the social and economic systems of the member nations had no effect on the nature and quantity of the loans given. He then stated, "IKB has increased its capital in order to render greater service. However, in the event this capital proves insufficient, we are in a position to cooperate with other Arab financial organizations such as the Kuwait and Saudi Arabian Development Banks. However, one thing should be kept in mind: IKB is currently not in a position to meet the needs of all the member nations. We, therefore, give priority to financing the development projects of the most needy."

At the press conference which he attended as the term chairman of the Islamic Development Bank board of governors, Minister of Finance Kaya Erdem said the following: "Through the Islamic Development Bank, Turkey will have the means to transfer her technology and advanced manpower to other Islamic countries. In these countries, we will make an effort to contribute not only to the development stage but also to the process of technology transfer. With the help of our advanced manpower we will transmit our administrative know-how

with respect to the direction of the new plants. In this area we enjoy social, cultural and historical advantages." In response to a question, Kaya Erdem remarked that, on the whole, Turkey provided incentives for foreign capital but that special consideration and priority would be given to the Islamic countries.

New Loan to Turkey

Meanwhile, two agreements that propose the extension of two new loans to Turkey totaling \$21.5 million, were signed yesterday. The first agreement signed by Islamic Development Bank Director Dr Ahmad Mohammed Ali, Deputy Secretary General of the Treasury Tunc Bilget and Director General of the Kutahya Magnesite Plant Tugme Erkin, secured \$10.27 million for the Kutahya Magnesite Plant A.S. [Corporation]. The agreement signed with the Turkish Industrial Development Bank provided for a \$11.2 million loan to be used in the financing of the investments of the Turkish private sector.

12,019

CSO: 4654/333

LOCAL PRESS VIEWS CURRENT ISSUES

Plight of Palestinians

Nicosia CYPRUS MAIL in English 15 Jun 82 p 3

[Text] The events in Lebanon were in the centre of the attention of all the Greek Cypriot weeklies yesterday with commentators pointing out with regret and alarm that the Palestinians and Lebanese have remained unaided by a world ready to provide only verbal consolation.

Again, like the daily counterparts, the papers suggest that Greece alone can be relied for assistance in case of need, though comments are not unconnected with the Presidential elections orientations of the various papers and the parties they are representing or supporting.

SIMERINI supporting the Rally Party gives prominence to a weekend speech of the Rally leader Mr Glafcos Clerides in which he said that Cyprus can depend only on Greece, (story below).

However ELEFTHEROTYPIA, the Democratic Party paper, and HARAVGHI, the Akel official organ, feature President Kypranou's movements in the USA and his speech to Greek Americans at San Francisco in which he spoke of the determination not to accept faits accomplis.

HARAVGHI in an exclusive report yesterday asserted that the socialist Edek party leader Dr Lyssarides is courting the Rally to seek the Presidency as an "above party" candidate in opposition to President Kyprianou.

The paper's report says that for this purpose he will step down from the Edek leadership and his place will be taken by the General Secretary of the party Mr Takis Hadiidemetrou.

SIMERINI in an editorial ridicules the cliché phrase of "Cyprus developments" saying that what happens in Cyprus is not "developments" but "absence of developments". "Will there be developments or not?", it asks.

The query is only relevant the paper says because with the point venture: (Akel-Democratic Party alliance) any development is bound to be an adverse development.

VIMA, the mouthpiece of the New Democratic Party (NDP) of former House President Mr Alecos Michaelides says the lesson from Lebanon shows that if the Turks were to undertake a third round (the first landing at Kyrenia and then the thrust to Famagusta and Morphou) Cyprus can again expect no more than messages of sympathy.

The paper supports close collaboration with Athens and says that the Akel-Democratic Party collaboration antagonise such cooperation with Athens to which they even deny the right to consider itself as a guarantor power.

Tragedy of Lebanon

Nicosia CYPRESS MAIL in English 16 Jun 82 p 3

[Text] The Greek Cypriot press continues to express sympathy for the Palestinian victims of the war in Lebanon and to draw conclusions from the parallel between Lebanon and Cyprus as victims of aggression under the eyes of a passive international community.

KYRIKAS, the Union of the Centre Party paper, underlines this latter point in a front page editorial "When a population (whole people) dies" noting that the Lebanese lands are being turned into a graveyard for the Palestinian people. It says:

"Some here in Cyprus miss no opportunity to accuse the "imperialistic" United States for everything that happens in the world. And there is no doubt that the USA is not free from responsibility about a number of tragedies. The Cyprus tragedy was stage-engineered and inspired by the USA. But what about Russia? What does Russia do? What is the difference from the USA? What is the difference between the executor and the passive onlooker to the crime?

"We are told by some amongst us that the USA is responsible for the tragedy in Lebanon. Well, may be. Or, certainly it (USA) is responsible. But what about Russian responsibility?"

Similar is the food in other rightwing papers while an Athens newsagency [word illegible] quoted in SIMERINI, Says that the Palestine Liberation Organisation (PLO) appears to be awakened to the new realities and sees now with more sympathetic eye the Egyptian approach to the Palestinian problem.

SIMERINI's columnist Savvas Iacovides reminds that the United States together with the Soviet Union were among the first to recognise the establishment of the Israeli state with the resultant division of Palestine when hundreds of thousands of Palestinians were uprooted.

He acknowledges that Israel would not have gone in action without the prior consent or tacit approval of the United States and concludes by saying that what is happening in Lebanon should provide a lesson for Greek Cypriots. If not, nothing can save us, he says.

HARAVGHI, the communist Akel party paper, lays the blame solely on "imperialism" or "the great culprit". The Americans are trying to annihilate the

Palestinian resistance and the PLO and wrest Syria and Lebanon from the resistance front and set up puppet regimes, it says.

The paper compares the Turkish invasion of Cyprus with the Israeli invasion of Lebanon and like Simerini, though from different angle, it says: "Unless we understand the role of imperialism we cannot learn from the tragedy of Lebanon and Cyprus.

It concludes with an attack on the rightwing for supporting the Anglo-American plan which, it says, spells new disasters.

Barbarity

NEA, the socialist Edek party organ, speaks of the "great collusion" which allows free rein for the "Israeli barbarity" but mentions no names.

It praises Palestinian resistance and says they give the answer to both the "bloody invaders and the ruthless inlookers" and show that self chosen serfdom is more inhuman than the risk of death.

The party squabble over the presidential elections continues with opposition press attacks against President Kyprianou and pro-government press attacks against Clerides and the rightwing.

AGON, rightwing independent, in a commentary "The Fundamental Choice" says it is clear now that Greek Prime Minister Mr Papandreu has decided to pursue national interests within the NATO alliance and in cooperation with the EEC partners instead of warring with them and adds:

Papandreu has chosen to turn to the West seeing that his policy is paying dividends while President Kyprianou has chosen to cooperate with Akel and this is the root trouble in the Nicosia-Athens crisis.

PHILELEFTHEROS in its editorial refers to the visit of the President in the United States and supports his declaration that the Americans should not tolerate their country which has tolerated its arms to be used against Cyprus.

ELEFTHEROTYPIA, the Democratic Party paper, also refers to the Kyprianou visit to the USA and makes similar remarks.

SIMERINI and ALITHIA both of them supporters of the Rally party, use their editorials to attack the President. The former speaks about unnecessary costly travels while the latter says that the country needs "leaders" no "beggars".

Soviet Attitude Deplored

Nicosia CYPRESS MAIL in English 17 Jun 82 p 3

[Text] Events in the Falklands and in Lebanon dominated the news in yesterday's Greek Cypriot papers though with Lebanon so much nearer Cyprus, attention is focussed more on the situation there.

Moreover, the developments in Lebanon provide ammunition for the opposition groups in Cyprus for their political campaign with an eye on the presidential elections.

HARAVGHI, the communist Akel party paper, underlines the Soviet warning saying that the Soviet Union had condemned the invasion from the start and moved in all directions, including the UN, to check it and after the escalation with USA blessing, as it says, and American President to put an end to the genocide.

Then truce followed and after its collapse and when everything else failed the Soviet Union did not hesitate to turn its warning to the invaders themselves. "Once more the determination of the Soviet Union in positive solidarity to the Palestinian resistance has been demonstrated", the paper says.

However this view is challenged in the rightwing papers which see or present Soviet action as belated and guided by material interest than by principles as indicated in the TASS statement saying that the events happen close to the Soviet borders and Soviet interests cannot but be influenced.

SIMERINI says it is obvious from the TASS newsagency statement that the Soviet Union would not have spoken if its interests were not affected would have kept silent as it did in the case of the Turkish invasion of Cyprus in 1974.

ALITHIA says that if the Soviet Union did place moral principles above its own material interest it should have uttered its warning before the loss of so many lives and not after.

[Part of text missing] own interest. "The small nations are sacrificed to the altar of the interests of the two superpowers" the writer says and regrets any attempt to keep Cyprus at a distance from Greece which alone can provide unselfish aid against Turkish actions.

PHILELEFTHEROS continues its policy of keeping clear the party Mr T. Papadopoulos its editorial to a Turkish Cypriot press comment that in the New York talks with UN Secretary General the Cyprus problem was placed on the "operation table" and says it is only to be assumed that a surgical operation reveals the true ailment.

In the case of Cyprus, the paper says, the operation will reveal that the Greek Cypriot side has made concession while the Turkish side maintained its intransigence which if continued will cause the Greek side to reappraise the situation. "Not because this is our wish but because we have no choice", it says.

NEA, the socialist Edek party paper, in an editorial points that Mr Denktash had in advance warned the UN Secretary General that Turks would not accept any new proposals and the Cyprus government by its adherence to the talks as now conducted only helps the perpetuation of the situation.

HARAVGHI, the Akel party paper, attacks the Rally leader Mr Clerides and Union of Centre party Mr T. Papadopoulos for their recent attitude their earlier

defence to them against the talks contrary to and suggests that the change of policy has perhaps sinister motives of serving "imperialist" interests.

President's Trips Criticized

Nicosia CYPRESS MAIL in English 18 Jun 82 p 3

[Text] The Presidential visits abroad were yesterday attacked by two of the Greek Cypriot dailies one of which says that at least the events in Lebanon ought to underline the need for the presence of the President on the island.

AGON's commentator "Paratiritis" speaks about "aimless wanderings" and says the people should not be made to pay for "subsidised private tours".

There is no other case of writer argues and says that the President ought to be back in Cyprus at least immediately after his talks with the UN Secretary General and his address to the UN General Assembly special session on disarmament.

"The more so, that at this moment the area adjacent to Cyprus has turned into a powder-keg threatening to blow up not only this sensitive region but world peace too", the writer says and queries whether these tours do promote internationalisation.

KYRIKAS, the Union of the Centre Party paper, deals with the same subject more poignantly and in a sarcastic mood says "This is not a government which we have and if it is a government its headquarters are not in Cyprus".

The paper refers to the cost of the trips and paraphrasing the quotation "A mountain was in labour and gave birth to a mouse" (Much Ado About Nothing) says: "we pay (dearly) for the childbirth to have a mouse".

The paper questions the wisdom of the President attending personally the General Assembly disarmament session. "Nobody has yet understood if the presence of Mr Kyprianou was so essential for the disarmament session" it says.

But ELEFTHEROTYPIA, the paper of the Democratic Party (Kypiranou's) dealing editorially with the visit underlines the President's call, in his speeches and meetings, to the USA administration to exercise its influence on Turkey to respect the UN resolutions, and says: "The USA government should not, and could not, turn a deaf ear to the appeals repeatedly made by the President."

SIMERINI, on the other hand, supporting the opposition Rally Party, says that though the official media stress the President's call on the USA to exercise its influence on Turkey, they say nothing if the President was asked how Cyprus can expect the USA to act when he allies with the communists who attack America and consider any American move as an imperialist plot against Cyprus.

Promise

ALITHIA, another paper supporting the Rally, asks a similar question. It refers to reports that the Papandreou government of Greece has secured American promise to act in the direction of Turkey but the move is meeting with Russian reaction and asks the President whether he will now obey Moscow directives via Akel or collaborate with Papandreou for the success of any American initiatives.

NEA, the socialist Edek party paper, says the events in Lebanon must underline the need for unity at home and sincere collaboration with Athens.

HARAVGHI, the Akel party paper, accuses the Americans of seeking a "Pax Americana" (peace a la Americain) in both the Falklands and in Lebanon and devotes its front page editorial to praise Brezhnev's unilateral pledge that the Soviet Union will not be the first to use nuclear arms.

PHILELEFTHEROS, referring to Turkish complains about the sentence on the Syrian captain whose ship called at Famagusta and about the so called economic embargo, explains that the Cyprus government's actions are not directed against the Turkish Cypriots but are essential acts for the defence of Cyprus state entity and authority.

CSO: 4600/600

HAMBURG ELECTION LOSS RAISES DISCORD IN SPD/FDP COALITION

Hamburg DER SPIEGEL in German 14 Jun 82 pp 21-26

[Article entitled: "Suicide Because of Fear of Death?"]

[Text] The election defeat of the Social Democrats in Hamburg has dramatically changed the situation in Bonn: In the top echelons of the SPD there is growing willingness to stop paying almost any price for the coalition with the Liberals. Even FRG Chancellor Helmut Schmidt is now taking into account the fact that his government could soon come to an end.

The chancellor spoke in enigmatic terms, and yet all those who listened knew what he meant: Whether the gentlemen really believed that "all /that/ can still be expected of us; whether he should go on with /that/, whether /that/ still made sense."

The "that" about which Helmut Schmidt urgently queried a small band of top comrades around the SPD chairman Willy Brandt on Monday of last week, was the highest good for the social democratic leadership team in the era since 1969, which could not be called into question by anything, least of all by the concern for party identity: The cooperation of the government with the Free Democrats.

On the day before, at the world economic summit in Versailles, the chancellor reported, he had still experienced something impressive. At the concluding banquet of the chiefs of state and government, he related, the result of the Hamburg Landtag [provincial diet] was communicated to him: Devastating losses of the SPD in favor of the Christian Democrats and the Greens; renewed foundering of the FDP on the 5 percent hurdle.

Thereupon, Schmidt related, France's state president, Francois Mitterrand Italy's head of government, Giovanni Spadolini, and the Canadian premier, Pierre Trudeau, had overwhelmed him with the request not to resign on any account.

The chancellor: "And here I am supposed to let second-rate people cut me into ribbons on account of second-rate issues."

It was, indeed, a macabre play whose main role fell to Helmut Schmidt during the past week.

In the Hamburg election the Social Democrats had obtained the worst conceivable result for them: After a minus of over 8 percent, the SPD was no longer the strongest parliamentary party, and the FDP had remained outside the door for the second time in a row. The Hamburg Liberals lacked barely 2,000 votes to enter the representation of the people, the Social Democrats were about 5,000 votes short to keep the upper hand over the CDU of the challenger Walther Leisler Kiep at least in mathematical terms (see p 32).

While the voters withdrew their confidence, Helmut Schmidt, composed and statesman-like, had to endure to the end at the magnificent table of the socialist sun-president Mitterrand in Versailles.

In Bonn he had the duties of hosting the most powerful man of the Western world, U. S. President Ronald Reagan. He had to talk with the leaders of NATO, to counsel about war conflicts from Falkland to Lebanon, and to prepare for a speech to the United Nations in New York, which he wanted to give at the beginning of this week to demonstrate his will for peace.

In the neighborhood, meanwhile, the end of the government of Schmidt/Genscher was being debated at length. In the camps of the FDP and SPD the countdown for a change of government in Bonn got underway--for the eventuality, that is to say, that, after two fruitless coalition talks during the past week, the SPD and FDP, even after the return of the chancellor on Wednesday, would not be able to decide on common peripheral figures for the 1983 budget, and for the eventuality--expected with certainty--that on 17 June the Hesse Free Democrats decide on a coalition statement in favor of the CDU.

Government spokesman Klaus Boelling was probably close to the truth when he diagnosed "stress" as the cause of a feverish infection, which cut down his boss on Wednesday, a few hours before the arrival of the U.S. President, and prevented him from chairing the session of the cabinet.

There have been frequent crises in the Bonn jungle since the smooth election victory of the Social Democrats in the fall of 1980. But never as yet were things as serious as after the vote of 1.2 million Hamburg citizens--described in exaggerated terms by Dietrich Genscher without necessity as "fateful election"--an election involving no more than 2.7 percent of the German voters.

It was the chancellor who was responsible for the special, new quality in the Bonn coalition crisis calendar. To be sure, Willy Brandt and all other associates queried by Schmidt counseled to go on; the FDP's jump to the CDU, it was said, must not be facilitated by a premature resignation. But a new insight remained fixed from Schmidt's words: The chancellor has seriously taken into account that his government could already soon come to an end. What is more: He is no longer willing to defend his power at the price of further social democratic self-abnegation.

Before the SPD parliamentary party on Tuesday, Schmidt-chancellor turned into Schmidt-SPD: "I do not have the intention of allowing the dismantling of the party in this agitation, but I also do not have the intention of letting myself be dismantled."

New is also: The harsh reprimand which Schmidt had reserved for his party on the occasion of earlier election reverses, he handed to the FDP and its chairman this time.

The head of government had in mind Genscher's election policy when he analyzed the Liberal setback: "Those who wanted to vote for the FDP did not know whether their vote would benefit Mr Dohnanyi or Mr Kiep. The FDP has inflicted the defeat upon itself." And Schmidt on Genscher's policy prior to the election in Hesse: "In Hesse things are going to and fro. There is high tide and low tide twice a day."

Should the FDP at its provincial party congress decide in favor of an alliance with Alfred Dregger's CDU, he indicated, the Liberals are "to be regarded as enemies by the SPD just like the CDU." Schmidt's judgment: "The FDP has in its ranks a number of individuals who one time shout this and another time that."

The verdict of the chancellor shows: The Social Democrats in Bonn are intensively considering the question of whether the FDP in general still rounds up a sufficiently large number of voters that an alliance with the Free Democrats continues to be worthwhile.

According to the unanimous opinion of the top party leadership, from Willy Brandt to Johannes Rau, from Hans Koschnick to Egon Bahr, from Hans-Juergen Wischnewski to Peter Glotz, the associates want to strive for a consensus in the negotiations concerning the budget and cuts of social benefits--a consensus that is sufficient for a credible new edition of social-liberal determination to achieve restoration and reform. Brandt continues to see a majority for "a social policy domestically and the policy of agreement and cooperation in foreign relations". It is now "the task of the SPD and the FDP to reflect jointly on this majority."

But the skepticism over the prospects for success, is great everywhere, as great as never before. Helmut Schmidt had taken into account the foundering of the alliance already for the coalition talk on Tuesday of last week. The chancellor--this is how an adviser described the mood of his master--"will not let himself be made into a paper tiger."

The Social Democrats expected "that the gentlemen from the FDP step up fearlessly and state whether they will remain [in the coalition] or not." The "social balance of the savings action" is indispensable for the SPD, the Schmidt-confidant reported, "if the Social Democrats accept further burdens of employees, the Liberals must state concretely where they are willing in their turn to place burdens on their clientele."

Party chief Brandt knew himself to be in agreement with Schmidt when he warned the FDP against further demands "to swallow the dough when it comes to the budget and then break relations with us."

Bremen's mayor Hans Koschnick asked more plainly: "Do we have to let ourselves be castrated and then on top of everything show gratitude?"

Although roughed up by the Hamburg election result, the Social Democrats have become more self-conscious. The top party leadership knows that after the Hamburg disaster

and before a similar defeat of the Liberals in Hesse (SPD-Bundestag member Dieter Spoeri: "A change to the CDU would be political suicide because of fear of death") the position of Genscher is weakened.

Added to this is the fact that the attractiveness of the FDP in the ranks of the possible coalition partner, the CDU/CSU, is noticeably diminishing. Daily there is an increase of the voices in the CDU camp of those who are counting on an absolute election victory of their party in 1984 and do not need former Liberals to hold their stirrups.

There is also an increase in the number of Social Democrats who are no longer willing to be blackmailed by the Liberals: To them--and not only to leftist purists--in the meantime a new beginning out of opposition promises to be more successful for the future of the party than the forced continuation of the Bonn coalition.

Hesse's minister-president, Holger Boerner, announced on Monday in the SPD presidium already that his loyalty vis-a-vis the Bonn coalition might possibly soon be exhausted. He indicated that he cannot take part in representing the position of the Bonn FDP if the Liberals in Wiesbaden move into the camp of the opposition.

To many Free Democrats, who are presently refusing to go along with a change to the [Christian Democratic] Union, the social democratic worries appear entirely plausible after the maneuvers of their chairman. "It is a fantastic idea," according to Minister of Interior, Gerhart Baum, that the FDP already during the budget deliberations intended to let the coalition burst apart.

Full of distrust, the opponents of the change eyed all activities of their party boss during the past week, but they were unable to discover indications or clear intentions. Instead Genscher's perplexity could be felt everywhere concerning how to proceed in concrete terms.

His conduct during the coalition negotiations on the federal budget left room for interpretations: The FDP chairman did not deal with critical issues. His general secretary, Guenter Verheugen, explained: "We first want to listen precisely, so we can prepare ourselves correctly." At any rate, after the Hamburg election debacle, there was no voice which would have pleaded for an immediate coalition change. In a series of consultations, in the presidium, in the federal board of directors, in the parliamentary party, no one found the liberating solution in the jump to the Union.

"Among us no one as yet has booked his vacation"--this is how the leftist Klaus Gaertner describes the general situation. The rather rightist Juergen Moellemann sees the situation exactly the same: "Nobody knows the way out. We continue to muddle through."

The displeasure with the policy of the party chairman in the meantime has become more clear. While Genscher for a long time has held the partner responsible for the conflicts and the losses in the image of the coalition, his party friends are with increasing urgency raising the question of his share of the guilt. And the doubts in the leader reach all the way up to the top leadership of the party.

Many regard it as unrealistic that Genscher sees the real reason for the reverse of the FDP only in the decline of the SPD, that his conceptual world does not go beyond the pronouncement: "Who has betrayed us? It was the Social Democrats." This is how a member of the board of directors put it disdainfully.

For according to Genscher's analysis, it is the fault of the SPD-split if the coalition staggers downhill: The SPD leadership, it is said, does not know where to get its voters, from the CDU or the Greens.

The chief of the Liberals, therefore, felt deeply hurt when Brandt and Herbert Wehner publicly denounced his own "vacillation" between Union and SPD. Many Free Democrats, on the Left and on the Right, share the view that the twisting is one of the cardinal errors of Genscher's policy.

Already on Sunday evening agreement prevailed in the FDP presidium about the fact that Genscher contributed his share of responsibility for the parliamentary defeat of his party in Hamburg--namely with the announcement that the FDP would form the senate with the CDU if an alliance with the SPD would not be sufficient.

According to Verheugen's sarcastic assessment, too, the tottering is responsible for the "continuing upward trend" (1978: 4.8 percent, 1982: 4.9 percent). The chief of the parliamentary party, Wolfgang Mischnick, explained that he never talked about a coalition with the CDU: "I have always said, we will go with the SPD."

The presiding officers, however, realized that conquest of the past is not enough. The Hesse Liberals will decide on a change to the CDU during this week. And the question is whether, when and how the changeover in Bonn is possible.

In all sessions and committees Genscher was very careful not to show his colors. To be sure, he struggled through to the statement that after the failure in Hamburg a clear coalition statement is necessary; but he kept silent about for whom--although his inclination for the CDU was known to everyone.

Thus it was above all the opponents of a change who spoke up in the presidium. State Minister of the Interior, Andreas von Schoeler, member of the Hesse party presidium, warned expressly against terminating the coalition.

It would not be possible to explain the termination to the voters; factually clear reasons do not exist, it was argued. The true motive, that the FDP through the change absolutely wants to remain in power, it was pointed out, must be carefully kept from the public. Schoeler's conclusion: "The top candidate of the CDU is the embodiment of the anti-liberal whom we have fought for 12 years."

Verheugen was even clearer. In clear terms he pleaded for a continuation of the coalition with Holger Boerner or otherwise for the opposition role in Wiesbaden. New sounds from the general secretary: "We must break with a sacred principle, that we can carry through our policy only in the government." And: "The yearning for a change, after all, also applies to us."

The advocates of the swing to Alfred Dregger could evade such arguments only with difficulty. Their main argument, presented perhaps by Hans Guenter Hoppe: In this way one could "at least prevent the absolute majority of the CDU." After Dregger

gave firm assurance of a good behavior clause for the Bundesrat [Upper House], it was said, there is "more flexibility for Bonn." Verheugen countered: "The voter does not understand that."

In the end the Liberals presented a picture of helplessness. Decisions were not made, instead a trend towards the CDU was decided on. Genscher admonished the initially first perplexed Hesse FDP chairman, Ekke Gries, that at least he must figure out an opinion for himself: "The top candidate is not one of 300 delegates." Gries promised: "The trend is clear. We must now merely think of some good reasons."

Mischnick, chairman of the parliamentary party in Bonn and member of the Hesse provincial association, too, agonized over the decision. He resists going together with Dregger, but "that runs in the direction of the CDU, one must see these things realistically." To be sure, he wants to accept a pledge to the CDU only if it becomes clear that nothing in Bonn is going to change.

This guarantee, however, it seems to the Liberals, is not to be expected at the present time from the chairman. On the contrary, they suspect that he is already systematically preparing for the changeover; a new alliance in the states is to concur party and voters in the great deviation.

As a matter of fact, the number of determined opponents of a maneuver for change has increased in recent times. These critics advance the argument that the FDP would severely jeopardize its existence if, in the middle of the legislative term, it would desert its partner. For in that case it would have to accept the reproach of breaking a promise to the voter--and it has nothing to fear more than the reputation of unreliability, the breaking up of the coalition without sufficient reason.

Verheugen: "If one wants to provoke something, one can do so, but it will not be believed." Baum sees things in similar terms: "There is no convincing breaking point."

The critics of Genscher have no desire either to see in the election results a divine judgment against the Bonn coalition. "There is no neo-conservative current," Baum insists. Mischnick calculates: "Fifty-seven percent of the voters in Hamburg voted against the CDU."

Moelleman, to be sure, finds that it is "obvious, a grass roots current wants the change." But he is afraid "that they want to remove /us/ and/ the SPD out of power."

The skeptics suspect that at the end there remains the false idea the FDP wants to remain in the government, no matter with whom and with what policy. "We would become a party of opportunists," Schoeler warns.

In order to resist this impression, the majority, from the right-as well as the left-wing, finds the further uncertainty unbearable. They want a decision, one way or another. "There must be whistling," Moelleman scolds, "or they should quit making pointed remarks."

For the Leftists the priority is clear: "The FDP has never as yet made the mistake Baum's planning chief Klaus Thomsen wrote in a situation analysis for his boss," to

assume in the history of this republic the risk--incalculable in terms of depth and mass psychology--of a regicide or parricide."

Entirely differently the advisers of Genscher, who--like their boss--have arrived at the conclusion that the Bonn government coalition is not at all in the position of winning the 1984 election. Their conclusion: The Liberals should leave the coalition before the Hesse election on 26 September--best of all during the next 3 weeks during the discussions over the budget.

Genscher does not think that far, and especially not so fast. With heels dug in, the hesitant party following is, however, to be prepared gradually for the change. In the meantime, he disseminates the idea that someone quite different possibly assaults the chancellor. He points to a rumor that Willy Brandt has already dropped Schmidt. But if that is true, so goes the conclusion, the FDP can hardly still hold on to the chancellor.

Such diversionary maneuvers of the tactician Genscher produce hardly any effect among the Social Democrats. Since the Munich party congress Brandt and Schmidt have not furnished any proof of strife within the party over policy direction or of a continuation of their long-standing struggle for power. Both, however, are deeply disappointed over the conduct of the vice chancellor in the most recent past.

A few weeks ago, Brandt had returned in a mood of irritation from a talk with the foreign minister. The conversation had been "senseless," the SPD chairman complained; Genscher, he related, avoided every clear answer to unequivocal questions.

For the last coalition talk on the budget 1983 Brandt had nevertheless resolved to obtain information about the future of the FDP. But he soon observed that Genscher did not want to come out of his cover.

All of the proposals for reduction which Finance Minister Manfred Lahnstein presented were acknowledged by Genscher without an assessment. When Lahnstein presented a list of subventions to be eliminated or cut, Genscher reacted with excuses: He reserved the right to examine whether the Liberals would not arrive at a different result with a different calculation.

Thereupon Brandt dispensed with his questions and contented himself with occasional little jokes.

His vice chairman, Johannes Rau, too, had new experiences with Genscher last week. On Sunday evening he had tried to find out whether the Bonn FDP leadership has really recommended an election statement in favor of the CDU to the Hessian Liberals. Genscher called Rau back on Monday, early at 7:10 a.m. and replied--formally in terms of law--with a "no." But then he asserted, contrary to the outcome of the presidium session: "We did not talk about that."

Rau disappointed: "I believed him."

Thus the willingness is growing in the SPD to conjure up a future of the coalition in official pledges, but at the same time to reflect on the question of how the alliance might come to an end. Models are being traded.

In the environment of the SPD chairman, parallels are being drawn to the year 1966, when the FDP withdrew its four ministers after the Liberal parliamentary party rejected a compromise in regard to tax increases which had been negotiated with Chancellor Ludwig Erhard. After a minority Erhard government lasting 4 weeks, the Union and SPD agreed to a new alliance.

Helmut Schmidt, a loser like Ludwig Erhard in 1962?

In a small circle Bremen's Hans Koschnick favored the solution of the year 1972. At that time Willy Brandt had opened the way to new elections by posing the question of confidence, with the ministers in the Bundestag not participating in the vote. Should it come to this, the issue producing the break in the coalition would, of course, have to be "capable of bringing about a Social Democratic majority and a consensus of the trade unions."

Helmut Schmidt, a winner like Willy Brandt in 1972?

Egon Bahr, a thinker with perspective, contributed a third variant. Even if the Hesse election is lost and the FDP is ejected from the Wiesbaden provincial diet, the bumpy road can be overcome through a social-liberal election victory in the provincial diet elections in Schleswig-Holstein on 13 March of next year, if on the same day the Free Democrats of the Rhineland-Palatinate would be voted into the Mainz parliament.

And on top of that, so goes Bahr's recommendation, the Hamburg election loser Klaus von Dohnanyi should try to win elections on this day in Hamburg--as mayor of a new Social-Liberal coalition.

All planning games and tactical considerations depend on the conduct of the chancellor. If he does not voluntarily throw down his job, Genscher faces difficulties --just like up to now.

For good reason the associates are reluctant to give the chancellor recommendations concerning this or that decision: Nobody wants to expose himself to the historic reproach or suspicion of having driven the chancellor into giving up power.

Koschnick: "Please no "Old Maid" game! If he believes a decision is ripe, then he must do it."

Brandt: "When he has come to a conclusion, the SPD will not leave him alone."

8970

CSO: 3103/517

PSF-PCF TIES EXAMINED ON FALKLANDS, EUROCOMMUNISM, DISARMAMENT

Paris LE MONDE in French 27 May 82 pp 1, 10

[Article by Jean-Marie Colombani]

[Text] The majority parties wish to preserve France's position in Latin America.

Three developments in an essential area--foreign policy--seem to express the evolution of the relations of the three principal components of the majority. These are: first, the meeting in Paris of Messrs Georges Marchais and Enrico Berlinguer during which the PCF and PCI secretaries general came out in favor, on the one hand, of what it has been decided to term the "Euroleft," and, on the other, for a "peoples' mobilization" in support of the peace and disarmament movement; second, the regrets Mr Marchais expressed after the CEE's renewal of the sanctions against Argentina; and third, the PS executive bureau's approval, on Tuesday 25 May, of a declaration of principle on peace, security and disarmament.

The International Options of the PS and the PC

In negotiating the PCF-PSF agreement on 23 June 1981, which preceded and made possible the formation of a unity government, prudence prevailed in the chapter on foreign policy. There were profound differences in this field; therefore, merely general principles were affirmed.

The Polish affair was soon to bring out these differences again, and to such an extent that Mr Lionel Jospin could declare that the PCF "could not elude" a basic discussion of the nature of the Eastern countries.

Considering the sensitivity of leftist public opinion on this subject, which so deeply involves freedom, the PSF then decided to exploit what it considered a PCF error. However, after the defeat in local elections (and considering that perhaps the emphasis placed on these differences had damaged the left as a whole) Socialists lost some of their determination.

Only the CFTD had brought up the Polish affair during the negotiations for a unitary May Day, considering that the left owed it to itself to demonstrate its solidarity with the Polish workers in a parade on that occasion. At that time, the PS went along with the CGT refusal to adopt the CFTD point of view.

There are several new elements today. In the first place, the Malvinas Islands war permits the PCF and the PSF to use more or less the same language, though at first there was nothing in common between the support the government expressed for Great Britain and L'HUMANITE's comments favoring Argentina. The rapprochement noted since that time derives from a double reaction. Mr Charles Fiterman considered the views expressed in the Communist daily "excessive." At the same time, Mr Loinel Jospin expressed his hope that the government would take into account the sensitivity of the Latin American peoples. On receiving Mr Berlinguer, Mr Marchais expressed the fear that the economic sanctions adopted by the EEC would deprive France of the benefits of its "positive attitude" in Latin America. He said, "We are afraid that France's positive policy might be damaged by the Community's attitude in favor of Great Britain." Perhaps Mr Lionel Jospin will express a similar concern before the bureau of the Socialist International (see below). In any case, the PCF general secretary seems to have said aloud what the first secretary of the PSF is quietly thinking.

The PCI-PSF summit meeting constitutes a second new event, which also suggests a certain convergence. These reunions between two groups whose relations constitute, according to the term used by Mr Marchais, "a complete story," actually mark the beginning of a new balance of PCF foreign policy. The latter party considered itself "Eurocommunist" when it practiced the union of the left domestically. However, its turning inward, which followed the 1977 breakup of the union, ended in a de facto break with the Eurocommunist faction. Until now, the Communists hewed to that isolated line, followed from 1977 to 1981. Since June 1981, back in the bosom of unity, they are making some moves toward a rapprochement with the policy of nonorthodox communists, such as the PCI, who advocate establishing relations with the other "socialist and social-democratic" forces of the European left.

Thus, the Euroleft, which expresses the will of Italian and Spanish communists and of the principal West European socialist groups to work together and which was formerly opposed to the PCF, is now finally recognized. Likewise, Mr Maxime Gremetz expressed the hope that the PCI would be invited to the colloquium organized by the ISER (Socialist Research and Study Institute directed by Mr Jean Pronteau, member of the PSF national secretariat) next June dedicated to the elaboration of a "new internationalism." This diversification of the PCF's international relations is also exemplified by the presence of the Chinese ambassador at its last congress, the beginning of February, and by the trip Mr Marchais is to make to that country in the fall.

Common Ground

The disarmament question constitutes the third new element in the foreign policy discussion. This time the apparent PCF and PSF convergencies derive from the French communists' concern to minimize for the present the

divergencies, which remain great. Juxtaposition of Communist and Socialist disarmament plans shows a common ground in believing that there should be "neither Pershings nor SS-20s." There is also the question of associating France with the disarmament process and thus the discussion of nuclear arms; finally, there is the question of establishing a connection between disarmament of the wealthy countries and Third World development.

But disarmament offers grounds for competition between the PCF and PSF. Moreover, the Communists have obtained a considerable lead in this competition. Beginning in December 1979 they launched a campaign against the strengthening of NATO's nuclear arsenal. At that time, they proposed that the PSF join this initiative. Since the beginning of 1982 it has been clear that the PCF wants to organize a vast "peoples' movement" around it in favor of disarmament. It is no less clear that the PSF does not intend to participate in the 20 June demonstration, which is to put in concrete form the gathering so dear to the PCF. In fact, the Socialist leadership has asked its federations not to participate in actions that come from outside the PSF but rather to popularize socialist options.

The latter are very far from the PCF's. The approach to the problem is different. The executive bureau in effect plays down the question of disarmament and stresses the fact that insecurity derives as much from too much disarmament as from the policy of blocs. Following this logic, the Polish crisis is as much a threat to Europe as the installation of Cruise missiles on its territory.

The PSF options themselves are based on a conclusion: that European imbalance should be blamed on the installation of Soviet SS-20 missiles. Therefore, an appreciable reduction in the number of already installed SS-20's should be secured. Without that, it will be necessary to install American Pershing rockets. Finally, the PSF suggests that France should "contribute to its partners' security." The phrase interests the Federal Republic of Germany in particular and ought to inspire a few comments, if only because it is worthy of clarification.

By inciting the PSF to make clear its view of the European situation within the framework of Soviet-American confrontation, the PCF will have succeeded in making a few convergencies come to light, but also some fundamentally opposed viewpoints.

9772

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JOSPIN, MARCHAIS ON LAW & ORDER, ECONOMIC AND FOREIGN POLICY

Paris REVOLUTION in French 7 May 82 pp 17-20

[Interview with First Secretary of the PS Lionel Jospin, and Secretary General of the PCF Georges Marchais, on the occasion of 10 May 1982, first anniversary of the 1981 elections which brought a French leftist government to power; date and place of interview not specified]

[Text] 10 May 1981--10 May 1982: time for a look back at the recent past and for a look toward the near future. We asked Lionel Jospin, first secretary of the PS, and Georges Marchais, secretary general of the PCF, to have this double look at questions in a double interview.

[Question] We are, a year after 10 May 1981, in a period when everyone speaks of drawing up a balance sheet. The opposition forces show things as all black but feelings among the workers are often mixed. We can emphasize the extent to which things have changed; we can also point out that among some people there is disappointment. Is it time to speak of drawing up a balance sheet? As far as you are concerned, how would you summarize the experience of this past year?

[Jospin reply] To think that we can really prepare a balance sheet one year after the Left came to power would be to forget one of the principles of our program. We wanted the program to be progressive and peaceful, making the necessary compromises and counting on the passage of time. It seems to me that the question is to consider whether the efforts undertaken are going in the right direction, in the sense of the commitments made by Francois Mitterrand and then by the entire Left. We will prepare a balance sheet together at the time of the next elections, legislative in 4 years and presidential in 6 years.

However, let us look back, since that is the question that was asked: let us look at the road we have covered. When the Left came to power, unemployment was considered an accident of fate, an improvement in purchasing power was considered a luxury, negotiations on social matters were regarded as a matter of last resort. In a context of international crisis the attitude of President Giscard D'Estaing and of the Right was hardly original. However, the legacy left to us was a heavy one: nearly 2 million unemployed, inflation at the rate of 14 percent a year, deeply stagnated production, a fragile and even brittle industrial structure in certain areas, a franc that had been

overvalued by an artificial policy of indebtedness, a very unequal division of income and fortunes, a massive external deficit in trade, a seriously clogged dialogue on social issues.

The government addressed itself to turning this policy around. This was a particularly difficult task since the crisis was deepening everywhere else, with serious consequences for everyone. When the United States and the United Kingdom accepted a massive expansion of unemployment within their own borders, this resulted in a sharp reduction in world demand. When, through the application of a simplistic monetarist policy, they provoked a dizzying rise in interest rates, that unbalanced all international economic and financial relations and stifled any prospect for a resumption of investment.

What is more serious is that throughout the international community pressure is being placed on the workers to accept wage increases which are often less than the rise in prices. This is true in the FRG and in Japan, but it is also true in the countries of Eastern Europe. I have just returned from Hungary. In that country, where they boast about realism and suppleness in terms of the economy, the sixth national economic plan (1981-1985) gives as its first objective recovery in the external trade balance. No growth in purchasing power is foreseen, and the Hungarian authorities simply hope that the average salary may be maintained in real terms. Must I recall the serious economic crisis affecting Poland (and its dramatic social and political consequences) or the difficulties being debated in Romania? As for the Third World, those countries are encountering mass misery and repeated convulsions. Thus, there is truly a world crisis and not just a crisis of capitalism. And if wide-ranging reforms are necessary, they are needed in the West as well as in the East.

Our policy seeks to demonstrate that the present crisis is not fatal. The government has sought to translate into facts the will expressed by the French people on 10 May and then on 21 June 1981. That involved the first change, and it was one of dimensions. I spoke of international resistance. There was domestic resistance also. The struggle against the crisis is not a short-term battle but demands a long-term effort by all of us. For the workers see it clearly: the Right is fighting with all its forces. The resistance by others must also be included in the columns of the balance sheet.

In any case, we must reject this senseless course of reduction of demand and thus take action at the international level to protect major economic balances (a condition of national independence) and show by example that another policy is possible.

Our economic policy must be bold enough to start turning things around, particularly where growth in unemployment is concerned, and sufficiently prudent to avoid uncontrollable slips. That is what our government has been doing for what will soon be one year: already everyone can see that the catastrophic predictions of the Right have not been borne out in any way. Everyone can see that broad structural reforms have been undertaken (nationalizations, decentralization, planning, the extension of the workers' rights),

that the living standard of the least favored elements of society has been improved, and that unemployment has leveled out.

The implementation of an active employment policy (solidarity contracts, plans for the future of young people, a textile plan...), the strengthening of consumption, and industrial plans by sectors must now alternate with assistance to the strengthening of public and private investment, so that everyone will feel concerned and involved and no one can escape his responsibilities.

But the new course of the policy of the Left lies in other areas. I wish to speak first of the development of freedom. At a time when the Right is trying to resume the theme of "law and order," it seems important to me for the Left to reaffirm its attachment to its continuing struggle for the rights of man and for freedom. The suppression of the death penalty, the disappearance of courts of exceptional jurisdiction (State Security Court, the TPFA [expansion unknown]), the forthcoming abrogation of the Peyrefitte law, the ratification of the entire European Convention on the Rights of Man--these are so many examples which mark a fundamental change, which express the confidence which the French have in a freer social life. We must insure the people's safety without touching their freedom. At the same time the approval of a new basic law for audiovisual facilities should, while respecting public services, permit us to take into account the desire for new means of communication (radio stations not owned by the state, new techniques).

I also wish to mention the foreign policy of France. The concern for our security, which expresses our unbreakable attachment to the independence of the French people, has been forcefully reaffirmed by the president of the Republic. This is a matter of not giving in to any crusade, from whatever it may come, but on the contrary seeking through a frank dialogue the means for reducing tensions, the pursuit of action in favor of real and therefore balanced disarmament, the increase of pressures in favor of a real North-South dialogue and the building of a new international economic order. France has chosen its position: that of rejection of foreign interference, of the policy of force and of the fait accompli and the system of power blocs.

If I had to sum it up, I would say that, together with the French peoples, we have bet on the future of France. The building of this future is well under way.

To those among the workers who say they are disappointed or express their impatience, it seems to me that it is necessary to say: Certainly, we haven't done everything in a year. How could we? However, does what we have done move in the right direction? Is it aimed in the direction of your interests and the interests of the country? If the answer to this question is "yes," then have confidence in us and above all stand together with us.

[Marchais reply] Without a doubt the time for preparing a balance sheet on the action of the government and its majority in parliament has not yet come. The president was elected for 7 years; the National Assembly for 5 years. The largest part of our task is therefore still before us. Having said that, in effect it is useful to know precisely where we are, one year after our victory.

This would be so if only to appreciate what remains to be done and to decide, consequently, on our conduct in order to go forward.

So, one year later, where are we?

I believe the first thing to say is that if the burden of the crisis and the disastrous heritage which Giscard, Barre and Chirac left to us have been a heavy weight to carry and continue to weigh on our actions, the apocalyptic predictions which the Right felt it could draw from its defeat--and above all from Communist participation in the government--have in no way been borne out. On the contrary, some unquestionable improvements have been made.

My second remark is that the evaluation of these improvements is--as you stress--clearly controversial. Without a doubt, and more than ever, we must avoid unilateral judgments and biting comments. Reality is neither all white nor all black

What we can say is that, in the economic and social sector, the government and its supporting majority have taken measures which have had results favorable to labor and to the country. Others are still at the beginning of their application but have the potential to change economic and social life in the right direction. I think in particular of retirement at 60 years of age, the approval of a fifth week of paid vacation, or, even more, of the professional training of young people. Finally, there are the structural reforms which the respective acts of nationalization and decentralization constitute.

At the same time the workers have been able to see that the new situation created better conditions than in the past to successfully develop worker participation. This is the lesson which they can draw, to take only this example, from obtaining a 39-hour workweek without a reduction in salary.

Finally, great problems remain: unemployment, purchasing power and social inequalities, and in large part respect for the rights already obtained and their extension in the enterprises.

Now, those are the most crucial problems, the most serious ones, those to which these millions and millions of French, who insured the victory of the Left last year, are the most sensitive. In very large part they voted in this way to have these problems resolved. That is why it is understandable that today there are questions among the workers and even, at times, disappointment or discontent. That is all the more so since the Right, whose scruples, as we know, do not inhibit it, does not hesitate to speculate on these difficulties and display a kind of indecent demagoguery in trying to exploit these questions for its own profit.

From this point of view, the Right has reached a kind of high point with this statement, made a few days ago, on this leader of Chirac's party, which demands nothing less than the resignation of the president of the Republic and of the government! Decidedly, the impudence, the arrogance of these people no longer know any limits! After more than 20 years, these feudal supporters of the old regime are so accustomed to considering France their private

property, of which they could dispose at leisure, that they have no idea that our country has a people within it, that the people expressed themselves, and that this choice must be respected. Clearly, one year in the opposition is already a great deal too long for them, and that bothers them.

In these circumstances, we communists say that we must do everything to insure that that continues to bother them as long as possible! In other words, we have to do everything to insure that the hope which the French people legitimately placed in the new policy of the government is not disappointed. What is needed, therefore, is not to stop along the way; not to make decisions which do not permit the change chosen by the French people to be applied--as we have seen with the reform of audiovisual services--or even decisions which go against this change by seeking an impossible compromise with the worst enemies of the government--like this gift of 18 billion francs which the government made to the owners of business. What we must do is to continue forward. That is, by providing ourselves truly with the means of overcoming obstacles and resistance so that the choice made on 10 May 1981 may be respected.

It is to that goal, in terms of the role which is ours and within the limits which universal suffrage has placed on our action, that we want to contribute. It is this constructive and united will which has guided us in the government, in parliament, as throughout the country, for the past year. And we fully intend to remain faithful to this line of conduct.

[Question] An anniversary like this is turned at least as much toward the future as toward the past. That necessarily leads to the question: And now in what direction do you want to go and with what kind of society in mind?

[Jospin reply] Once again you speak as if we were already at the end of the first stage. That's not the case. Regarding the kind of society, it is there before our eyes, in the course of being born. You don't fabricate "future society" like a manufactured product.

The president of the Republic was elected for 7 years on the basis of a program to which the parties of the Left gave their support at the time of the legislative elections. The 110 proposals of Francois Mitterrand constitute the common commitment to the Left for the next several years. They are of such nature as to commit France, by stages, to move toward socialism. Such is our objective. However, the French people will have to decide by their votes in the elections provided for this purpose. For us it is through democratic debate that socialism can be established. Socialism could only exist in an atmosphere of liberty and democracy, which are the essential achievements of the people's movement over the past two centuries. This gradual process seems to us to be the best one to take into account the contradictions and the complexity of industrialized societies like French society. And, starting from this basis, to strengthen its cohesion. Everywhere that history has sought to accelerate the process, the people have found themselves in the grip of authoritarianism. Even so, we must reflect on the lessons of this century. Here is something which has struck me for the past year: the maintenance and at times even the aggravation of trade union divisions which accompany a certain surge

of corporatism. From this point of view I think that the new rights of the workers should open onto certain essential perspectives. For the worker, a citizen outside his place of work, also to be a citizen in his factory or office could lead to an important change in social relationships. Making employees active participants in the life of their companies will bring out their energy, will mobilize creative capacities too long walled in, will give the employees and the trade unions representing them the right place to use them. Improving economic information for the factory committees means allowing them to follow the activity of the company more effectively and to appreciate the ability of the employer. In the same way the right to sound the alarm will make it possible to prevent a badly managed company with an incompetent boss from going broke in the name of a misplaced legitimacy. Simplifying and strengthening the role of the health and security bodies amounts to attacking directly whatever is unacceptable for an employee obliged to accept, without any right to evaluate it, a risk to his health or his physical integrity. Establishing the obligation to enter into negotiations means giving the workers the ability to express themselves on their working conditions whereas Taylorism was conceived to deny this right. There is a series of steps forward which break with two decades of social stagnation. It is the right of the trade union organizations, with a sense of their responsibilities, to take over this new opportunity [espace] which will determine their advances in the future. This is a delicate question, it is true. The tradition of French trade unions is not that of management.

Can one, in the public sector in any case have new rights without also creating new duties? The workers will provide the answers.

In any case, the policy of negotiations developed by the government in the search for positive compromises--a policy which has been translated into a remarkable period of social calm--must lead to a more open, more transparent, and therefore more democratic and more just society. The kind of solidarity necessary among the French cannot be based on injustice and inequality. The technological revolution with which we are confronted cannot be developed in ignorance of its effects and be led by only a few. The research effort undertaken, the necessary reconstruction of a great public education service, will fit together if, we, with the future at stake, want all of the national community to feel concerned and therefore involved. Giving our youth back its confidence in its own future means first of all giving young people jobs or training and also giving them the means of using their freedom.

In a chaotic and dangerous world, our program will only have a real chance of development to the extent that we know how to assure the prospects for peace and disarmament. Our success in France will give strength and vigor to our international efforts in favor of the rights of man, the right of peoples to self-determination, for the non-use of force, for the rights and facilities for achieving real economic development. If in France, if in Europe the workers' movement regains its language of unity, independence and attachment to democracy and freedom, then it will decisively contribute to a future of progress and of peace. The Socialist Party will pursue this effort with all those who support it, knowing that this expectation goes beyond the frontiers of old Europe.

If, in his everyday life, each Frenchman sees himself provided with greater prospects of achieving individual and family happiness, if at the same time he can identify himself with a collective program--that of his country--of which he is proud, then these perspectives of which you speak will be a little more beautiful in the future.

[Marchais reply] Our "program for society," to use your term, is clear. We restated it at our 24th Party Congress. It is what we call socialism French style.

There is nothing arbitrary about this choice. From one end to the other the concept of this new society which we propose is fully in the French style. We have based it on a careful study of the realities of our country and of the world. This concept constitutes a response to the fundamental problems of our society, the means of finding a solution to the profound crisis which our society is going through.

In this connection I recall that our party was the first--and this since 1971--to discern the existence of this crisis and to call it what it is: a crisis of structure, a crisis of the capitalist system in France. That is to say that we will not be able to resolve this crisis by avoiding profound social changes that call capitalist domination into question, or, in other words, going in the direction of socialism. Naturally, you can deny this is so. You can, as the Right has never stopped doing since the beginning of this crisis, speak of the "Crisis of civilization," the "oil crisis," or I don't know what else. However, the facts are there: it is the depth, the breadth, the seriousness of the problems raised in all areas which call for this social change. As long as these problems are not resolved, whether we wish it or not, this question will remain unanswered.

For us it is therefore a matter of bringing French-style socialism out of the national reality of a France in crisis. In the same way you can consider how any idea of a "model"--and consequently any idea of a "contrary model"--is foreign to our program of socialism. A society of justice, of new economic growth, of culture and of new human relationships--the socialism which we want will first of all be a society which will preserve, enrich, and make more fruitful everything France has achieved in terms of its liberties. Socialism in liberty and by means of liberty is our program. Because that corresponds most deeply to what we are, we French communists. And because liberty today is a profound social need. It is even, as I said to the 24th Party Congress, "the common denominator on which we propose to bring together the most diverse strata of society in order to advance together [*in italics*]."

To move toward this great prospect we have made a choice which is also unambiguous: the path of democracy. That is, the path of respect for the will of the majority at all times.

That is why we are acting within the framework on which Frenchmen and Frenchwomen themselves decided last year by giving a majority vote to a new policy without necessarily adopting the solutions which we proposed. We act out of a desire to achieve the changes for which our people are waiting by contributing

to the bringing together of solutions in conformity with their choices and with our own perspective and acting to insure that they are brought forward.

So you see it: French-style socialism, respect for universal suffrage, bringing together our people, union of the Left, struggle on behalf of the people. These are the clearly stated, essential dimensions of the strategic choices of our congress which we are putting into action today, as we will do tomorrow.

Naturally, this path is not an easy one. It is the path of a stubborn class struggle. At a time when, as I just said, the forces of the Right and of the bosses are opposing the new policy, increasing the obstacles to its application, we need more than ever to tighten the unity of the forces of change, to bring together the people's movement, to place it resolutely on the offensive, to seize every occasion to bring together people on the broadest scale, to unite them without excluding anyone, to work in unity. That is, more than ever, the program of the communists. That is why--to take only one recent example--we took the initiative to propose the holding of a great, united celebration on 1 May and worked until the last moment to insure it would be held.

It is thus, as close as possible to popular concerns, in every area where the crisis makes itself felt, that we want to work with everyone to move forward on the path to the solution of our problems. It is thus, by this loyal and united attitude which we are displaying that we will contribute to the continuation and the deepening of the movement under way, to the solution of the serious problems affecting the workers and the country. It is thus that we will provide proof in practice, in our lives, that the communists well deserve the confidence of our people.

5170

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PSOE STRATEGISTS SEE COUPIST DANGERS IN UCD, PCE DEBACLES

Madrid EL PAIS in Spanish 21 Jun 82 p 13

[Article by Miguel Angel Aguilar]

[Text] PSOE [Spanish Socialist Workers Party] strategists, deeply concerned about the opportunities offered by the present weakness of the executive to coupist sectors, believes a recovery of Centrists and Communists before the general elections is necessary. Consequently they are recommending that the elections be held after the Right and Left wings of the socialists have achieved the necessary adjustments.

An outstanding official of Santa Engracia, Madrid headquarters of the Socialist Executive Committee, explained these needs to EL PAIS in the following terms: "All the benefit we are receiving from the current process of self-destruction in which the UCD [Democratic Center Union] and the PCE [Spanish Communist Party] are immersed until D-day of the general elections will become a very serious danger after D-day plus 1, when we will have to face the task of governing." The shrewdest analysts of the PSOE are beginning to think of themselves as virtual tenants of Moncloa, headquarters of the president of the government, a residence whose occupancy has been assigned to them in an astonishing manner by all the surveys and public opinion polls for several months.

PSOE's New Duties

The PSOE-now appears to be aware of some new duties, those of making its maximum contribution to overcoming the crisis in which the Center and the Communist Left are embroiled, so that the two sectors will reach the election date in condition to achieve a balanced parliamentary presence. Only from these coordinate axes will it be possible for the PSOE to maintain its moderate image and for the country to avoid the trap of polarization, which has historically been the precursor of more serious confrontations.

For a Centrist of Christian Democrat origins who feels close to the president of the Congress of Deputies, Landelino Lavilla, the needs perceived by the PSOE respond to national imperatives from any democratic perspective.

As he understands it, if no remedy is found for the current foundering of the PCE, the outcome of the approaching elections would be that of a "passive popular front." That is, all the socialist forces, already deployed in Andalusia on 23 May, to distance their program offering and political compromise from that of the Communists, would run into the trend toward a useful vote of those who only exercise the passive right to vote.

CEOE Class Struggle

To this marked tendency toward the concentration of the vote in the Left is added "the havoc which, with a boomerang effect, might again result from the general elections as the first fruits of the class struggle encouraged by the Spanish Confederation of Business Organizations (CEOE)," according to a longtime Centrist leader in his analysis of the recent Andalusian experience. A former Suarist minister emphasized with some concern the analogies between the current political moment and the situation in January 1980: Deterioration of political power, disintegration of the party in power, the internal struggles in the Centrist families, military pressures, supporters of an administration with a civilian head, Osorio, or a military chief, Armada. The principal difference is in the attitude of the PSOE, which in January 1980 acted on its conviction that "anything goes" to remove Suarez--including Mugica's talks with Armada in Lerida--and that now, on the contrary, is proving its indisputable responsibility.

In view of the factors mentioned in favor of a recovery period for both Centrists and Communists, members of the Socialist executive will also weigh carefully the dangerous opportunities the present weakness of the executive offers the coupist sectors of the so-called factional powers. "The situation is a real tidbit for those who like intrigue," one of the men closest to Felipe Gonzalez declared Thursday in the congress.

Fraga Butts In

Those close to the leader of Popular Alliance, Manuel Fraga Iribarne, are coming out in favor of attempting again a government administration which would enforce a literal interpretation of the constitution in order to raise an indestructible barrier--which the factionalists are anxious for--capable of preventing a socialist victory in the elections. That is why, observers feel, the AP [Popular Alliance] leaders refuse to express any opinion concerning the sentence handed down on 3 Jun in the 23 February trial.

As on other occasions, according to one of the present cabinet ministers, Fraga is avoiding his democratic responsibilities and coming in haste to the aid of anyone he thinks will be a winner, without a regard to the fate of the system that has returned sovereignty to the Spanish people. In a classic remark of flattery to the armed forces, the Alliance leader went so far as to say Saturday in Barcelona that "the army had stipulated the sentence in the 23 February trial and what is complicating the situation is all this blowing hot and cold by the government." At the same time, some military sectors have concluded that nothing can be expected of the

New Force and Blas Pinar, Giron or Garcia Carres. Therefore they are going to try to "switch horses" in favor of Fraga, who wants to come across as the sole repository of military confidence and to make use of that alleged condition.

A 6 months' pact could be attempted if the Board of Spokesmen of the Congress finally reach an agreement to "reorganize parliamentary tasks," avoiding controversial subjects. In that case the possibility is not discounted of reorganizing the government on the promise of its members not to agree to the elections.

8735

CSO: 3110/170

SOCIALIST VICTORIES VIEWED AS STEP TOWARD REVOLUTION

Madrid EL ALCAZAR in Spanish 29 May 82 p 8

[Article by Ismael Medina: "The Revolutionary War Is Not a Specter"]

[Text] "A revolutionary war is primarily an internal conflict, but almost always affected by foreign influences." It is on the basis of this certainty that David Galula develops his essay, "The Battle Against Insurrection," which the Spanish "partitocratic" oligarchy persists in ignoring or concealing.

The Red-Basque Separatist terrorists have never denied that they are engaged in a revolutionary war. The Basque bourgeois and Marxist parties do not hide the fact that they support a revolutionary war against Spain. Some leaders of those political groups have repeatedly and overtly declared war on Spain, with total impunity. The first transactionist parliament, amid unanimous applause, approved an amnesty confined to those who had committed crimes "out of love for the democratic freedoms," although with the realization that they were waging a revolutionary war against Spain. During the years which followed the amnesty, a result of the commitment assumed in the Munich conspiracy, the system avoided a categorical response to the revolutionary war. Must we admit that a large part of the "partitocratic" oligarchy is committed to the revolutionary war?

A quotation from Mao Zedong, taken from "Strategic Problems of the Revolutionary War in China," written in 1936, is pertinent: "The laws of war: This is a problem whichever leader who heads a war must study and solve. The laws of a revolutionary war: This is a problem which every leader who heads a revolutionary war must study and solve. The laws of the revolutionary war in China: This is a problem which every leader who heads a revolutionary war in China must study and solve."

The new ETA [Basque Fatherland and Liberty Group] escalation of terrorism has not only again belied the latest boast of the minister of interior, concerning the Gutierrez-like cliché that we were witnessing the last blows from terrorism. ETA's last blows have now brought us close to 1,000 deaths. But greater significance than the deaths, although this is unbearable, is assumed by the indisputable fact that the revolutionary war in Spain is about to attain its goals: the widespread establishment of secessionism, the undermining of the State, the neutralization of the national defense resources, the dismantling of Spain's unity, the economic collapse, the social deterioration and the Marxist victory.

The terrorists, fostered by conspicuous internal and external aid, have proven that they have studied and solved the problem of the revolutionary war in Spain. The lack of effective reaction against the terrorists and their political collaborators proves that neither the government nor parliament has studied or solved the problems of the revolutionary war in Spain. The evasion is so gross, so ridiculous and so unwarranted that it is even insufficiently explained by the usual resorting to the primitive ineptness of those who, by virtue of the "consensus," control the expedients of power in the democratic transaction. Not even fear can serve as an excuse, nor fear of fear, a great stupidity which Suarez attempted to make use of to cleverly attack the Armed Forces at the cost of the sentences in the trial concerning the incidents of 23 February 1981. The outbursts of foolish remarks, which have been very abundant recently, cannot silence one painful conviction in the minds of Spaniards: Whether out of incompetence or for other reasons, the current political group is contributing to the victory of those who are waging the revolutionary war on Spain.

Democratic Legitimizing of the Revolutionary War

On Tuesday, a slaughter could have occurred as a result of the attack upon the Civil Guard escort for a shipment of explosives. Fortunately, Providence came to the rescue. But it is now time for us to set aside the grim manipulation of the revolutionary war, owing to which the political repercussions of the attacks are measured according to the amount of blood shed, and its social classification. The ambushing of the Civil Guard escort, which miraculously ended with only two injuries, has the same importance as the deaths of five generals or of the government representative would have had. In a revolutionary war, the newsworthiness of the targets does not count, but rather the nature of the attack and its political consequences.

We are submerged in a revolutionary war of great scope, the stated goals of which very slightly exceed the concessions inherent in the construction of the so-called "state of autonomies." And this is what counts when one reflects on the development of the democratic transaction in Spain from the standpoint of Mao Zedong. But if, instead of Mao, one takes Lenin as a guide, the situation appears even more sombre and frightening. The process of the Bolshevik revolution of 1917 is being carried out in Spain with obvious precision, including the Masonic plot in the Diet. It is immediately perceived by anyone who has sufficient imagination to dispense with the irrelevant externals of the political customs of each period and each society.

The amnesty of the Red terrorists, an unavoidable chapter in the transactionist conspiracy, has historically shaped the legitimizing of the revolutionary war in Spain. That decision, so ostentatiously hailed, sanctioned the revolutionary nature of the establishment of the "partitocratic" system. The acceptance of the revolutionary war as a method for democratic construction of the state of autonomies, in fact, invalidated any presumption of an effective battle against terrorism. The revolution can hardly fight the revolution; it has an imperative need to foster it. Let us no longer talk about the ineptness or incompetence of the individuals in the system in the battle against terrorism. It is not even fitting to refer to the battle against terrorism. The revolutionary war, as Lenin and Mao, among its other doctrinaires teach, can be combated only through a severe counterrevolutionary war strategy, which exceeds tactical methods, going so far as to demand an unequivocal model of a national political system.

A strong national state is essential for winning the war over the Marxist revolution. And it has been proven to be far less costly to nations to check the revolutionary war before it becomes widespread and armed, unfurling Social-Communist banners; in other words, when it consolidates its positions for the final assault under the complacent protection of a liberal Socialist system. Actually, the current "partitocratic" despotism is disqualified for waging the proposed revolutionary war, because it accepted and legitimized revolutionary war as an integral part of the system during the course of the bold parliamentary ceremony of amnesty. It can only do what it is doing: occasionally saving face through mendacious expedients of disinformation and deception with the terrorists and their friends.

The Masking of the Revolutionary War

The recent criminal attacks by the Red terrorists in the Basque Country, Catalonia and Andalucia have had their true conceptual dimension deceptively masked by the mercenary press, subject to stringent "agit-prop" slogans. With a deliberate disregard for the active reserve law, the assassinated colonel was converted into a "retired military man," as if a mere administrative act reduced the political seriousness of the crime. And it would have remained concealed that the assassinated industrialist was such to frighten the suppliers of the Civil Guard and the National Police (the repressive forces of the Spanish State), if it had not been for ETA's insistence on proclaiming it. There is an unconcealable conspiracy of silence concerning the revolutionary war and its effects. The "partitocratic" despotism has raised to the rank of democratic behavior that distant, conceited statement by Torcuato Luca de Tena, who claimed that what was not published in ABC had not happened. Merely because of fear of the reaction of the society and its institutions? Merely because of a primitive instinct for preservation? Or simply because of the acceptance of the fact that the revolutionary war is an inseparable part of the transactionist system, and it is felt that the victory of the Marxist revolution coincides with the democratic optimum agreed on in Munich?

We have witnessed lately an unprecedented coverage of the civil trials which, by means of deliberate distortion, could be used as a weapon hurled at national sentiment. But a dense silence has fallen on the trial of the Red terrorists, guilty of the slaughter at the California 47 coffee shop, which from the outset was attributed by the mercenary press to the extreme right, in a treacherous, persistent fashion. Also accepted as the most natural thing in the world are Garaicoechea's circumstantial excuses for his statements to the French newspaper, SOUD-OUEST, despite the fact that he never changed his recognition of terrorism as a "national liberation movement of Euskadi," or, what is the equivalent, a national revolutionary war. The only thing that seems to displease Garaicoechea about ETA is that it is Marxist-Leninist. Otherwise, he persists in accusing the Spanish State Police of torture, equating their action with that of the terrorists. The bishops did the same thing in the hypocritical ceremony at the Begona basilica, not realizing that the revolutionary war cannot be indefinite. The Marxist revolutions always annihilate the Manicheans who benefit them, whether out of contemptible incidental interests or out of stupidity. Certain sectors of UCD [Democratic Center Union] do not seem to have learned this lesson either. But, in view of the revolutionary progress that they have fostered in Spain, it would not be inappropriate for both to meditate on two symbolic reflections of the

revolutionary beast that they are nursing: the Winter Palace of St Petersburg and Paracuellos.

Another Contribution to the Revolutionary War

The government's unprecedented and ridiculous statement concerning the sentences in the trial associated with the incidents of 23 February has only benefited the revolutionary war that the Marxists are waging in Spain. The shameless article by the editor of EL PAIS on that same topic is part of the strategy of the revolutionary war, and represents a brutal invitation for the purging of the Armed Forces, in Marxist code. The general order of the Junta of Chiefs of Staff contains a firm and tasteful warning to those who wage or benefit the revolutionary war. One broadcasting station, in its news report at 1400 hours on Tuesday, carried the general order of the Junta of Chiefs of Staff with obvious unwillingness, and promptly followed it with a enthusiastic reading, by way of a footnote, of the most virulent portions of the attack made by the editor of EL PAIS on the military institutions.

It is obvious that the revolutionary war is not confined to the terrorist gangs. The revolutionary war is established in the structures of the "partitocratic" system. One might ask: What would Lenin or Mao do if they had to cope with a revolutionary war while in power? They themselves gave the answer. It is feasible to learn about the enemy. And if the enemy is within?

2909

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DEMOCRATIC STRUCTURES SEEN AS AIDING TERRORISM, REVOLUTION

Madrid EL ALCAZAR in Spanish 10 Jun 82 p 8

[Article by Ismael Medina: "The Revolutionary Tension Is Growing"]

[Text] The National Police had to shoot in Granada in order to free themselves from the assault of about 1,000 agitated persons who were attempting to release a recently arrested kidnapper. Who goaded those people to act against the authorities on behalf of a criminal who had, moreover, been found to have two carbines and a large amount of ammunition of various calibers in his possession? Why is it so easy to incite people toward subversive attitudes? What are the causes of a severe social tension ready to break into an uproar for any reason? What is the origin of the large volumes of weapons that are clandestinely circulating among certain strata of the population? The attack by the crowd on the National Police in Granada cannot be considered an isolated incident. It is part of a rather widespread phenomenon of revolutionary provocation that it would be suicidal to ignore.

Revolutionary Escalation

Twenty-four hours later, in El Rubio, near the political trouble-spot of Marinaleda, there occurred a hard-fought confrontation between an equally excited crowd and the Civil Guard. In this instance, the pretext was the blocking of the highway to protest the shortage of water. The Civil Guard had to repel the attack as well. However, the radio version of the incident blamed all the violence on the Civil Guard. The rioters were poor doves peacefully perched on the road. The town hall immediately went into permanent session, and there began the ritual of protests, charges and other requisites of revolutionary technique. In a display of informational integrity, the radio account announced that, "according to a resident," the repression by the Civil Guard had caused several injuries, one serious. The sharp-witted newsman did not concern himself with checking the truth of the report, not even through a call to the clinic where, "according to a resident," the injured person was undergoing surgery. The incident and the manner of reporting it are part of a more than sufficiently known revolutionary technique.

We are beginning to experience the first consequences of the election campaign in Andalucia and its results. In our special edition on Monday, we objectively proclaimed that Marxism had triumphed in Andalucia. We noted that the spurious moderation displayed by Felipe Gonzalez in the dispatches from Madrid and through

the "agit-prop" network infiltrated into the majority of the news media was not in keeping with the demagogic harshness shown by the other leaders of the PSOE [Spanish Socialist Workers Party] and its candidates at the daily rallies. We also predicted that the Communists would not take long to demonstrate their control over the masses inclined toward a Socialist vote, or to attempt provocation capable of repeating something similar at Casas Viejas. The first outbreaks of violence were not long in coming. They will occur, with any excuse, in the weeks ahead. It is the inexorable law of the revolution.

The True Face of Socialism

On Thursday night, the well-known financier, Aguirre Gonzalo, overwhelmed the newsmen who interviewed him on the television program which began with the title "Four Against One," and which had to change its name in the second installment. The mental keenness and physical liveliness of this 86-year old entrepreneur were dazzling to questioners who did not know what hit them. Pedro Rodriguez was insistent that the banker make a statement about 23 February. Pedro Rodriguez is hung up on 23 February. He has no other issue. He acts like someone hallucinated by 23 February, in a peculiar sort of political paranoia. He appears as if he had remained crouched under a seat in Congress, with half of Parliament above him, and had been the recipient of certain unpleasant ventings facilitated by weakness of the evacuant valves. He wanted to know what the banks would have done in the event that the military action of 23 February had triumphed. Pedro Rodriguez must be very much in on the secret of what has eluded almost everyone, including those tried, judging from his own statements. Aguirre Gonzalo had explained that he went to sleep that night quite at ease. But Pedro Rodriguez did not consider himself satisfied; he sought an explicit condemnation. The financier reiterated his thesis that the credit service is a public service, and that the banks would have continued lending under whatever political circumstances may have arisen. He might have added: "Mr Rodriguez, the banks have as a goal the accrual of profits, just as you do. And the same thing that you have done on various occasions in your life, they too would have continued doing in their business; but with the difference that we bankers do not need to change ideas or shoot down those whom we formerly exalted in order to continue our dealings. Money, unlike certain writers, does not need to sell itself, because its role consists of gaining through its circulation." Aguirre Gonzalo did not succumb to such logical pedagogy, aware of the bounds of hospitality which are unknown to Pedro Rodriguez, as are other substantial values.

I have departed from what is important, though obviously certain types of behavior comprise one of the many ways of collaborating with the revolution. I wanted to mention the distinction made by Aguirre Gonzalo, from a banking standpoint, between Communism and Socialism of a Central European type. He was clearly referring to the German model in particular. If Spanish Socialism, as Felipe Gonzalez proclaims, is of that type, the banks could coexist with a Socialist government. But is Spanish Socialism as it was described by Felipe Gonzalez in the bourgeois media some time ago, or is it as it has really been demonstrated to the agitated masses that the PSOE itself has helped to despoil through the systematic development of the Moncloa pacts? The Andalusian business owners were not mistaken regarding the plastic image of Socialism, with two faces and with a fist holding up the apple with the Communist worm. Their strategic mistake lay in subscribing to such

a well-known truth, affording the Marxists the easy retort of the class struggle. The campaign advisers were mistaken, and did not know that, in order to engage in a dialectical struggle against Marxism, one must first learn its methodology, so as to respond to it with the proper weapons. The true countenance of Spanish Socialism, as un-European as it is unlike any other manifestation of our people, is showing its unchangeable aspect in Andalucia, encouraged by the victory.

Final Escalation

The incidents in Granada and El Rubio, only a portent of those to follow, explain the spurious moderation with which the PSOE leaders received the overwhelming victory in Andalucia. The Socialists were playing to win halfway, so as to continue the highly profitable game of the two horses. They were seeking a relative majority that would enable them to continue blaming the government for the lack of a solution to the problems. Allende used that same tactic in Chile, until he thought that the electoral atmosphere was prepared for an absolute victory that would enable him to make the revolution from the government. The Socialists promised fabulous things during the Andalucian campaign, with a radicalism in offers exceeding that displayed by the PCE [Spanish Communist Party]. The Communists lost willingly. The Socialist success was of more concern to them than to anyone else. With a Socialist government in Andalucia, the PCE is in the extremely comfortable situation of inciting the masses to demand peremptorily what has been promised. They stand to win both if PSOE fulfills its promises and if it does not, which is inevitable. They have started the revolution and the mechanism for a revolutionary transfer from Socialism to Communism, just as in 1936.

The systematic poisoning of public opinion is being done with strict faithfulness to the slogans of the Social-Communist "agit-prop." However, the "agit-prop" is not controlled by PSOE, although some Socialists think so, but rather by PCE, either directly or through intervening KGB agents. The trial of the "people's court" or "mock-Cheka" court on the hearing of case 2/81 ended with the foul spewing of Martin Prieto. Immediately afterwards, the Chekas set forth with similar disciplined voracity concerning the trial for the death of the extremist Yolanda Gonzalez. But only 13 lines, hidden in a corner, were devoted to the conviction of the GRAPO [First of October Armed Revolutionary Group] terrorist, Luis Jimenez Fernandez, perpetrator of the assassination of the brigadier general of the Service Corps, Enrique Briz-Armengol. This is common when it is a matter of trials against those guilty of killing members of the military, Civil Guardsmen, police inspectors, National Policemen and farmers, who are assassinated with the charge of being "enemies of democracy."

There is compliance with the "agit-prop" slogan of demanding drastic penalties against those tried for the military action of 23 February, but the amnesties, pardons, releases from jail and provisional releases, as well as the slight penalties imposed on those who assassinate patriots in the name of the Marxist revolution, are considered absolutely democratic and feasible. And, concurrently, the people are being incited to protect common criminals and subversives against the state's repressive forces. This is an old revolutionary system, assiduously carried out by the Marxists. Many of the Red Chekas of 1936 came from among common criminals. It was among common criminals that the ETA [Basque Fatherland

and Liberty Group] agents recruited the initial ELA [Andalucian Liberation Army] gangs, several groups of which were trained in Algeria last year, and the mechanism of which cannot be unrelated to another trial wherein the "mock court" will also root about.

The Marxist revolution is moving ahead its pawns with precision and without ceasing. While the leaders of Herri Batasuna [Popular Unity] have left prison with a bail equivalent to just one of the fines imposed for dishonoring the national flag on 22 November 1981, and boast that they would insult the king again if he should ever go to the Guernica Juntas Residence again, the Ministry of Interior is adopting very severe measures against terrorism. Through a confidential instruction, the State Security Forces have been ordered to expend the maximum effort to abolish the selling or giving as gifts of items associated with 23 February. The paths of democracy are inscrutable, or all too clear.

We are witnessing a strong campaign of lulling, at the cost of the specter of "coupism." But, in the meantime, the Marxist revolution is progressing. In the Basque Country and Catalonia, everything has been prepared for the final assault of the secessionists. All that is lacking is the seething of Andalucia. That will be the occasion. We shall not have to wait long.

2909

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SPECIAL LEGAL STATUS PROPOSED FOR ISTANBUL

Istanbul CUMHURİYET in Turkish 29 May 82 pp 1, 9

[Passages enclosed in slantlines printed in boldface]

[Text] Istanbul News Service--At the first Istanbul Symposium organized by the Istanbul Governor's Office, the conferral of a **/"Special Legal Status"/** on Istanbul was sought as a solution to the problems of Turkey's largest city.

Governor **/Nevzat Ayaz/**, opening the symposium which began with a session chaired by Senior Professor Dr **/Fahrettin Kerim Gokay/**, a former governor and mayor, said, **/"There is a need for staffs suitable to the peculiarities and size of Istanbul and for legislation which will ensure effectiveness in administration, in order to strengthen and integrate the administration in a province such as Istanbul."/** Stating that there are 244,000 illegal structures in the city and that at least 2.198 million people live in these buildings, Ayaz said, **/"In my view this situation may lead us in the future to formulate one organization and one voice regarding redevelopment in Istanbul."/**

/Hayri Sezgin/, representative from Istanbul in the Consultative Assembly, said, **/"The 2 million persons living in illegal housing in Istanbul cannot spend a night in peace. Care for Istanbul is an act of piety. The Consultative Assembly is at the service of Istanbul, for while Turkey's brain is Ankara, its heart is Istanbul."/** Mayor Lt Gen **/Ecmel Kutay/** stressed that expenditures on a wide scale were necessary to rescue Turkey's largest city which has no plan or program.

All of the administrative and academic participants who submitted statements at the symposium's first session sought the formulation of a **/"Special Legal Status"/** for the city. Prof Dr **/Vakur Versan/** noted that the need to issue special laws for the city's administration was appreciated even at the beginning of the age of the Ottoman Empire, and said, **/"Today, Istanbul, like all the rest of our provinces, is administered according to laws issued in accordance with the principles set forth in Article II of the Constitution."/**

Istanbul Deputy Governor **/Hasan Fehmi Konyali/**, proposing that 15 districts within the boundaries of the Municipality be removed and that Istanbul be reformed as one province of 4.5 million people and 5 districts, spoke as follows:

/"The authority and responsibility of the administrator is another issue which will be debated during the meeting between the Governor and Mayor's Offices. These administrative units should be established and the authority and responsibility of the governor's office delineated so as to ensure the rapid solution of crucial problems and the effective input of government financial aid to these problem areas, through the State Monopoly system. It is essential that every structure connected to a ministry be connected to a single structure at the provincial level, and that these structures, whether they be a district or general directorate, be organized solely on the provincial level and connected to the Istanbul Governor's Office. It is also necessary to give a special legal status to Istanbul's current, unique practices. The issuing of a special law code for Istanbul will not give rise to a privileged position within the provincial system of Turkey, but will make separate practice legal."/

Professor /Hande Suher/ stressed the need for a metropolitan planning system for Istanbul, while Assistant Professor Guven Alpay proposed /"the establishment of a dedicated and reliable foundation for the reclamation of the Bosphorous" and Professor /Kemal Kutlu/ the establishment of an /"Istanbul Regional Communications Office."/

It was announced that 4,500 invitations were sent out for the Symposium organized by the Governor's Office; it was observed that around 100 guests participated and that the majority of observers were provincial municipal personnel.

9962

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DEFENSE MINISTER: STRIKING POWER REMAINS DESPITE BUDGET CUTS

Copenhagen BERLINGSKE TIDENDE in Danish 21 Jun 82 p 5

[Report of interview with Poul S gaard by Dan Ax l]

[Text] The Danish NATO forces have greater striking power today, even though in recent years Denmark has not met NATO's goal of a 3-percent annual increase in defense budgets.

Poul S gaard, minister of defense, said that in an interview with the Norwegian news agency NTB. S gaard thus rejects the criticism from the United States and other NATO countries of Denmark's contribution to the common North Atlantic defense.

"During the last 10 years Denmark has had a real increase of 12-15 percent in the defense budget," says Poul S gaard, who calls attention to the Danish system of index adjustment of prices and wages.

"The new defense system in Denmark will mean that the Danish peacetime strength will be reduced, but the wartime strength will remain the same," Minister of Defense Poul S gaard says. "Together with the modernization of the materiel, this means a qualitatively improved striking power."

Danish and West German military leaders also deny that the defense effort is weakened in the two countries because they have not carried out the 3-percent increase.

"There is no ground for concern over certain cutbacks in the Danish defense budget, if in a crisis situation the politicians make the necessary decisions in good time," says Lt Gen O.K. Lind, the supreme commander of the Danish-German joint command in Karup.

He says further that Norway was far-sighted in deciding 20 years ago to concentrate on defense of Northern Norway--and so turn the southern flank over to Danish-West-German defense.

On NATO's flank from Skagen in the north to Elben in the south there are about 125,000 men under arms. The West German navy has the Baltic as an important area of operations, with 200 vessels, 100 warplanes, and about 38,000 men on bases in the northern part of West Germany.

"The threat from the east today lies in the qualitative improvement that has taken place in the Soviet military apparatus," says Adm Helmut Kampe, who is second in command in the West German navy. He does not think that the Polish crisis or the presence of Soviet submarines in Swedish waters has increased the threat.

8815

CSO: 3106/137

END